The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

COMMERCE AND TOURISM
Senator Detert, Chair
Senator Thompson, Vice Chair

MEETING DATE: Tuesday, January 20, 2015
TIME: 3:30 —5:00 p.m.
PLACE: *Toni Jennings Committee Room,* 110 Senate Office Building

MEMBERS: Senator Detert, Chair; Senator Thompson, Vice Chair; Senators Bean, Latvala, Richter, and Ring

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
	Presentation on Economic Development Program Evaluations by the Office of Program Policy Analyses and Government Accountability, and the Office of Economic and Demographic Research on the following:		Presented
1	VISIT FLORIDA and its programs		Presented
2	The Florida Sports Foundation and related programs		Presented
3	The entertainment industry financial incentive program and sales tax exemption program		Presented

Other Related Meeting Documents

Economic Development Program Evaluations – Year 2

A presentation to the Senate Committee on Commerce and Tourism

January 20, 2015

Economic Development Program Evaluations

- State law requires OPPAGA and EDR to provide detailed analyses of state economic development programs on a recurring schedule

- The second cycle of these annual reviews included
  - VISIT FLORIDA and its programs;
  - Florida Sports Foundation and related programs; and
  - Film and Entertainment Industry financial Incentives.

VISIT FLORIDA

Mary Alice Nye, Ph.D.
Chief Legislative Analyst

VISIT FLORIDA Activities

- Conducting domestic and international marketing activities
- Administering domestic and international advertising campaigns
- Conducting research on tourism and travel trends
- Managing the state’s welcome centers

VISIT FLORIDA Expenditures and Private Sector Contributions

Activity	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Total Expenditures by VISIT FLORIDA	$32,864,546	$40,157,593	$56,149,335
Cooperative Promotional Value Total	34,841,752	71,008,843	82,569,946
Cooperative Advertising Value Total	15,095,263	17,271,574	18,682,886
Total Cooperative Value from Private Sector	49,937,015	88,280,417	101,252,832
Total Expenditures and Cooperative Value	82,801,561	128,438,010	157,402,168

Findings

It Is Difficult to Distinguish VISIT FLORIDA's Influence from that of Other Entities

- State Tourism goals and indicators are often used to promote VISIT FLORIDA's success
- Numerous entities promote Florida tourism
  - State agencies including Department of State, Department of Environmental Protection, Florida Sports Foundation
  - Local governments, the federal government, and private entities such as major theme parks

Improved Measures and Survey Research Needed to Accurately Assess VISIT FLORIDA's Performance

- 2012-2016 measures
  - Focus on maintaining current performance
  - Have standards already exceeded by the organization
- Survey data
  - Results of specific advertising campaigns should not be used to assess organizational performance
  - Influencer Study raises numerous concerns

There Are Opportunities for Enhanced Coordination of Tourism Marketing

- State tourism marketing activities expanding to include eco-tourism, agri-tourism, space and medical tourism
- Current coordination on a project-by-project basis or as directed by the legislative or executive branches
- More formalized collaboration could allow state agencies to leverage their marketing funds and avoid potential duplication

Industry Representatives Express Support for VISIT FLORIDA; Partner Survey Results Vary

- VISIT FLORIDA board members express strong support for VISIT FLORIDA
- Survey of partners
  - 71% reported VISIT FLORIDA has a substantial impact on the tourism industry statewide
  - 42% perceived a moderate impact on the partner's organization
  - Paying partners rated some services as important (market research), but many did not use other services

Florida's Tourism Industry Compares Favorably to Competing States

- Florida's tourism industry employment outpaced national and industry trends
- The state's competitive advantage is greater than that of California and Nevada, but less than that of New York and Texas

Recommendations

- VISIT FLORIDA needs performance measures linked to meaningful standards with specific timeframes to assess performance
- VISIT FLORIDA should improve the quality of the research studies that assess its influence in bringing visitors to Florida
- The Legislature could consider expanding VISIT FLORIDA's role in coordinating with the various state agencies that engage in tourism-related marketing activities

Florida Sports Foundation and Professional Sports Facility Funding

Larry Novey
Chief Legislative Analyst

Florida Sports Foundation Activities

- Provide grants to local and regional sports commissions to assist with professional, college, and amateur sports events
- Sponsor the Florida Senior Games and the Sunshine State Games
- Assist DEO in screening and certifying applicants for state funding of major professional sports facilities
- Provide technical assistance to sports organizations and marketing the industry in Florida

Florida Sports Foundation Funding

- Revenues are primarily from sales of specialty sports license plates
- Grants account for a significant portion of expenditures

Program Funding	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Total Revenues	$3,292,772	$3,625,763	$3,409,427
Total Expenditures	$3,290,555	$3,721,906	$2,518,881

Professional Sports Facility Funding

- State funding for professional sports facilities distributed to local governments, to make bond payments
- As of June 30, 2013, cumulative payments totaled approximately $344 million

Facility Funding	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Total Payments (20)	$23,230,554	$23,230,554	$23,230,554

Findings

Florida's Sports Industry is Growing and Outpaces Several Other States

- From 2003 through 2013, the sports industry grew in Florida
- Florida's growth outpaced competing states (Arizona, California, New York, and Texas)

Stakeholders Are Very Satisfied with the Florida Sports Foundation

- Both local and regional sports commissions and professional team representatives reported high levels of familiarity and satisfaction with the foundation's operations
- These stakeholders consider the foundation integral to Florida's sports industry

The Florida Sports Foundation Should Improve Grant Administration

- After a grant-supported event, sports commissions provide the foundation with a post-event report that includes estimates of economic impact
- If grant terms are met, the foundation reimburses the grantee for qualified expenditures
- The foundation does not require documentation of the economic impacts specified in the report prior to paying for qualified expenses

Participation and Attendance Vary at Amateur and Pro Sports Events

- Participation in Sunshine State and Florida Senior Games is growing
- All Florida professional teams are meeting original attendance projections, but attendance is low compared to other U.S. teams
- The number of visitors to the World Golf Hall of Fame and International Game Fish Association World Center has been significantly lower than expected

Recommendations

- Local and regional sports commissions that receive grant funding should present the data used to estimate economic impacts with the post-event reports

- DEO should establish guidelines for Major League Baseball spring training facility annual reports

Film and Entertainment Industry Financial Incentive Programs

Alex Regalado
Senior Legislative Analyst

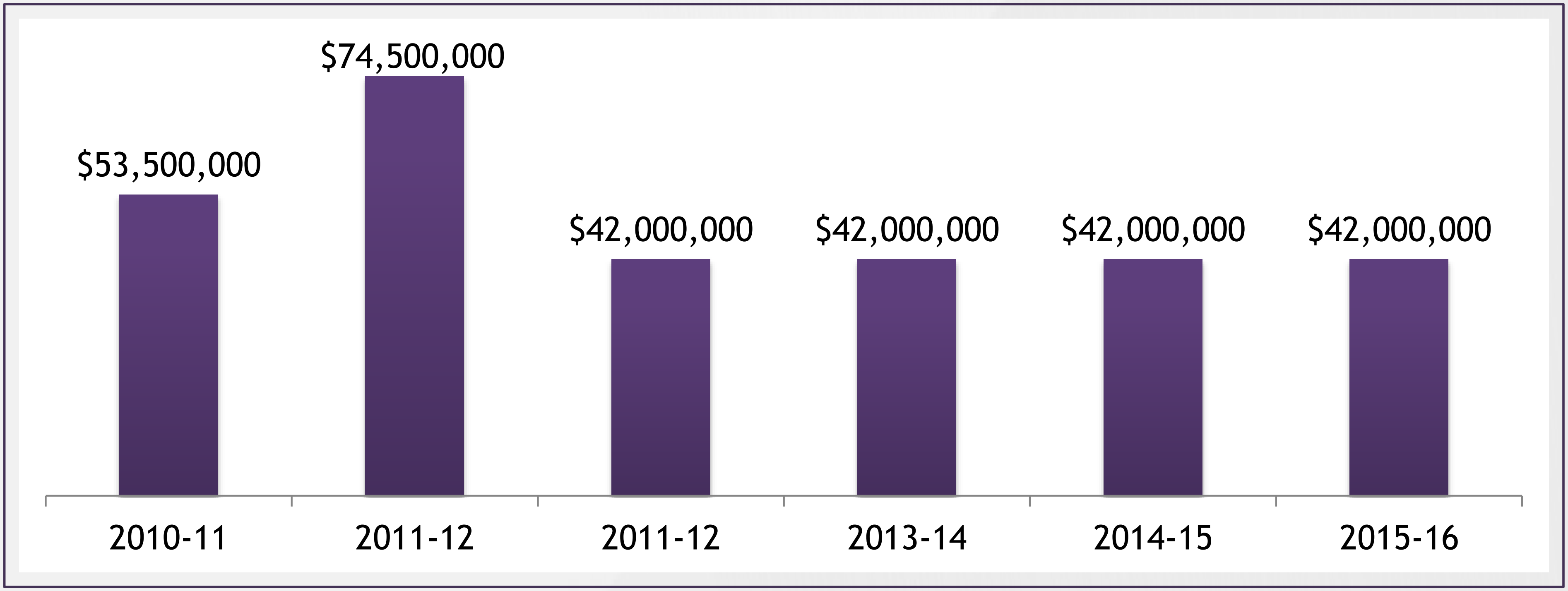
Film and Entertainment Incentive Programs

- **Entertainment Industry Financial Incentive Program** – Offers transferable tax credits for expenditures related to qualified productions

- **Entertainment Industry Sales Tax Exemption Program** – Provides sales tax exemptions for certain purchases by qualified production companies

Incentive Funding

- The Legislature allocated $296 Million in tax credits over six years; all tax credits have been certified

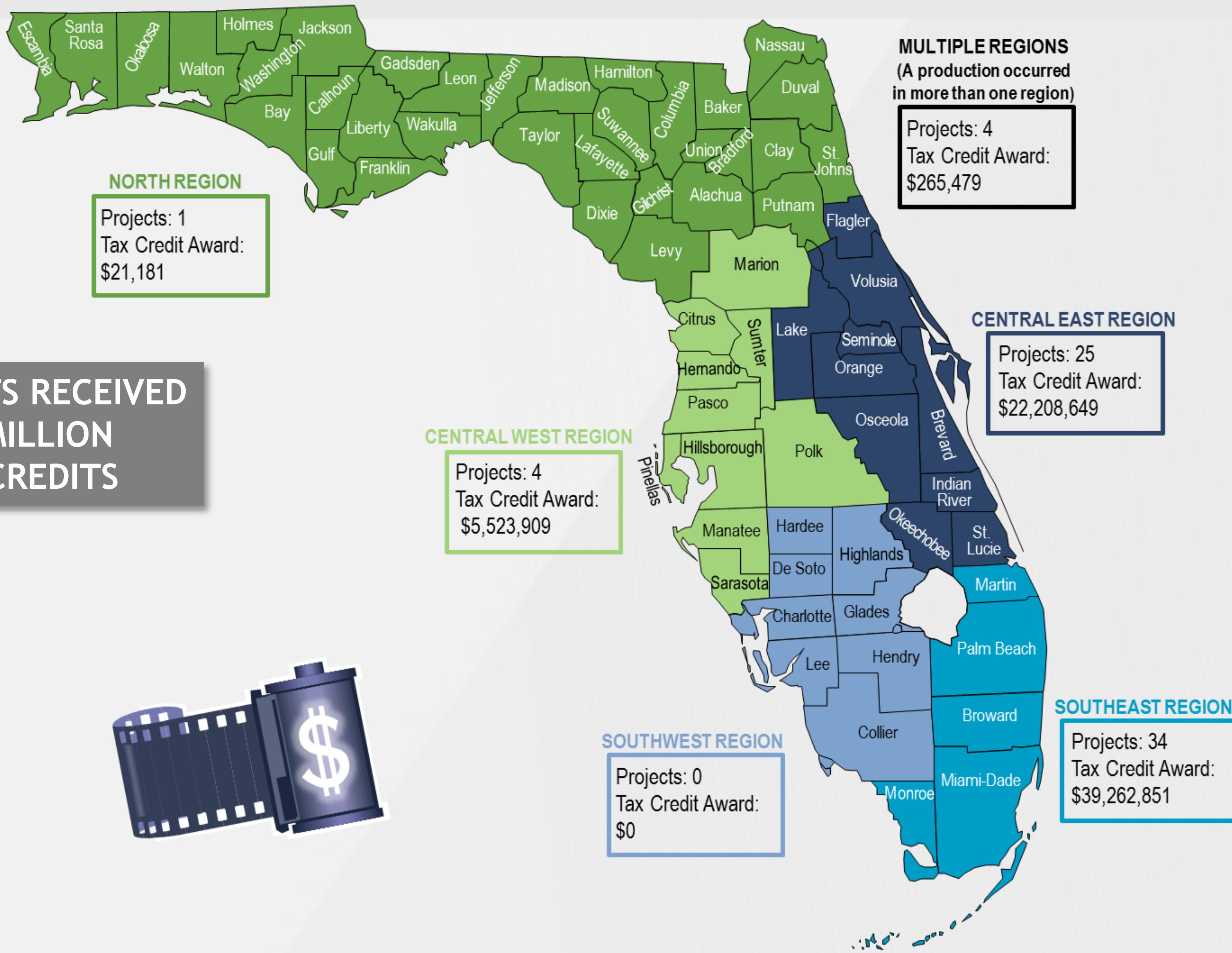


- Estimated sales tax exempted at $15 million per year

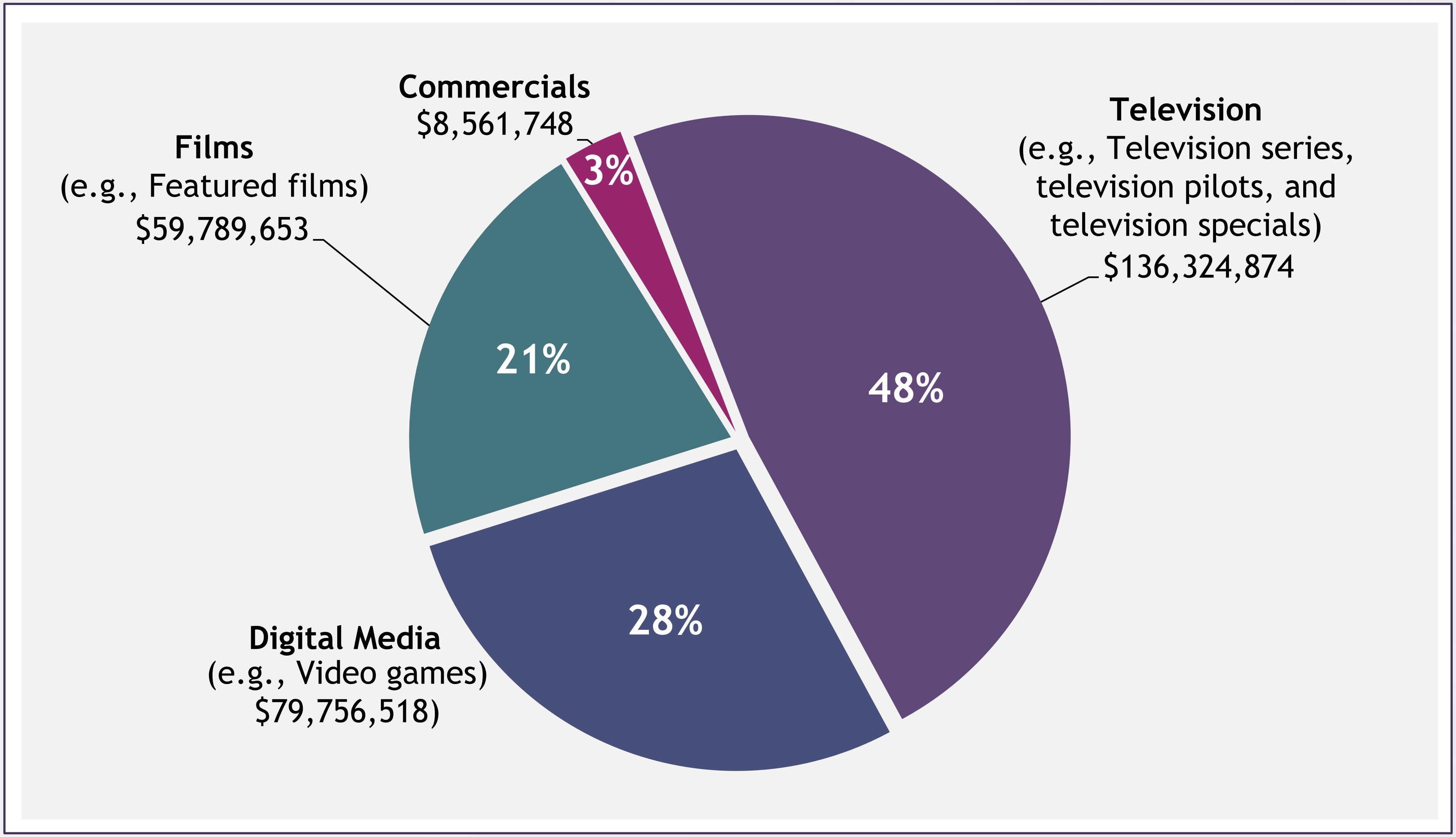
Findings

Large Scale TV Productions in Southeast Florida Received the Most Tax Credits

68 PROJECTS RECEIVED $67.3 MILLION IN TAX CREDITS



Production Companies Receiving Tax Credits Made $284 Million in Qualified Expenditures



Most Production-Related Employment is Part-Time

- Productions receiving tax credits employed 29,023 Florida residents; most employees were extras and stand-ins
- Available hourly employment data indicates most employees were part-time
- Less than 20% of total jobs reported by sales tax exemption applicants were full-time

Incentives Are Important to Location Decisions, but Florida's Incentives Received Low Ratings

Factors	Important to Location Decision	Florida Rating
Availability of a skilled work force	A	C
Labor costs	A	C
State financial incentives	A	D
Ease of access to public facilities such as roads, bridges, courthouses, rail lines, airports, etc.	B	C
Geographical features such as beaches, forests, rivers, etc.	B	B
Local financial incentives	B	F
Regulatory (permitting) structure	B	D
State tax structure	B	C
Availability of facilities such as sound stages and recording studios	C	D
Existing presence in a state	C	D

Competing States Outpaced Florida in Incentive Funding and Industry Employment

- Competing states (California, Georgia, Louisiana, and New York) offer more generous incentives
  - No caps on the amount of tax credit awarded per project
  - Credits can be applied to wages paid to out-of-state residents
- Florida's total industry employment growth was less than other competing states

Program Administration Could Be Improved

- Program review of production audits has resulted in a backlog and approval delays
  - It takes program staff 4-8 months to review and approve audits
  - Program recipients reported it took up to a year to receive tax credit awards
- Program managers were setting the effective dates for sales tax exemptions prior to the application dates for those exemptions

Recommendations

- If the Legislature chooses to allocate additional tax credits, require that the amount certified during a fiscal year not exceed the amount allocated for that year
- Direct DEO to use a third party to process tax credit audits
- Office of Film and Entertainment staff should discontinue backdating sales tax exemption certificates

Contact Information

Kara Collins-Gomez
Staff Director
(850) 717-0503
collins-gomez.kara@oppaga.fl.gov

Return on Investment for Select Economic Development Programs

(VISIT FLORIDA, Sports, and the Entertainment Industry)

January 20, 2015

Presented by:

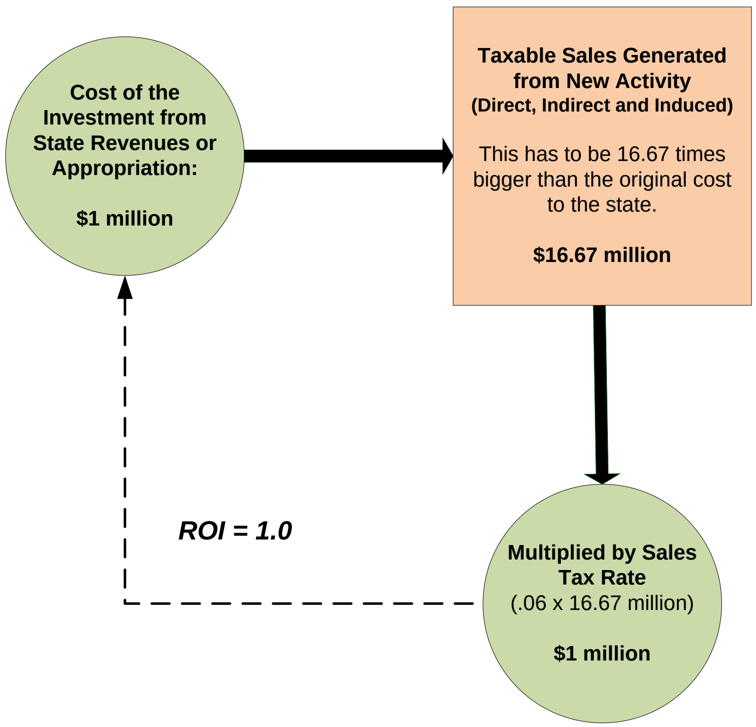
The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
http://edr.state.fl.us

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 all studies is Fiscal Years 2010-11 through 2012-13. The baseline is what would have happened if the investment hadn't taken place.

Common Question: Effect on Visitors?

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).

Total Visitors to Florida in 2013:
93.7 million

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.

Marketing-induced Visitors

Own-purpose or Event-driven Visitors

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.

The Florida Experience:

- Beaches
- Theme Parks
- Retail, Dining and Nightlife
- Outdoor Recreation, etc.

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 54.5% of visitors come to Florida due to marketing-related efforts, and 45.5% come on their own for an event or other self-identified reason.

Visitor Breakout by Influencer Type

Economic Benefits from VISIT FLORIDA...

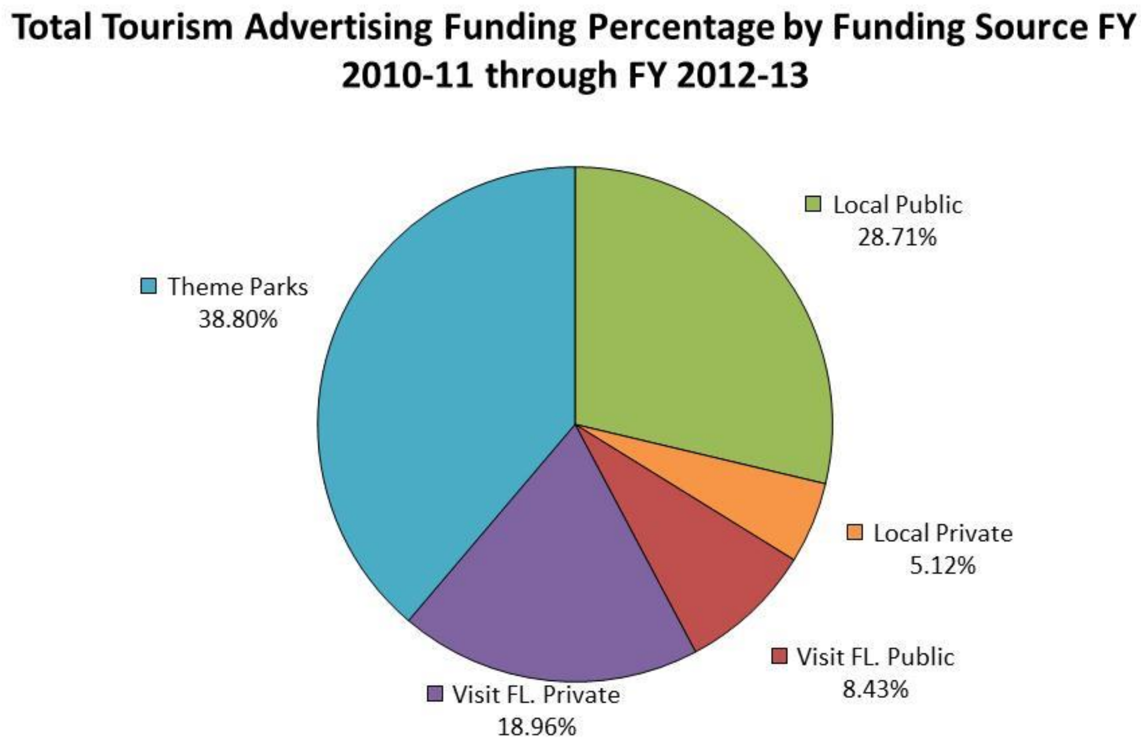
	ROI	State Expenditures	Disposable Income	GDP	Jobs
VISIT FLORIDA Marketing	3.2	$115.5	$10,300.7	$11,826	25,611

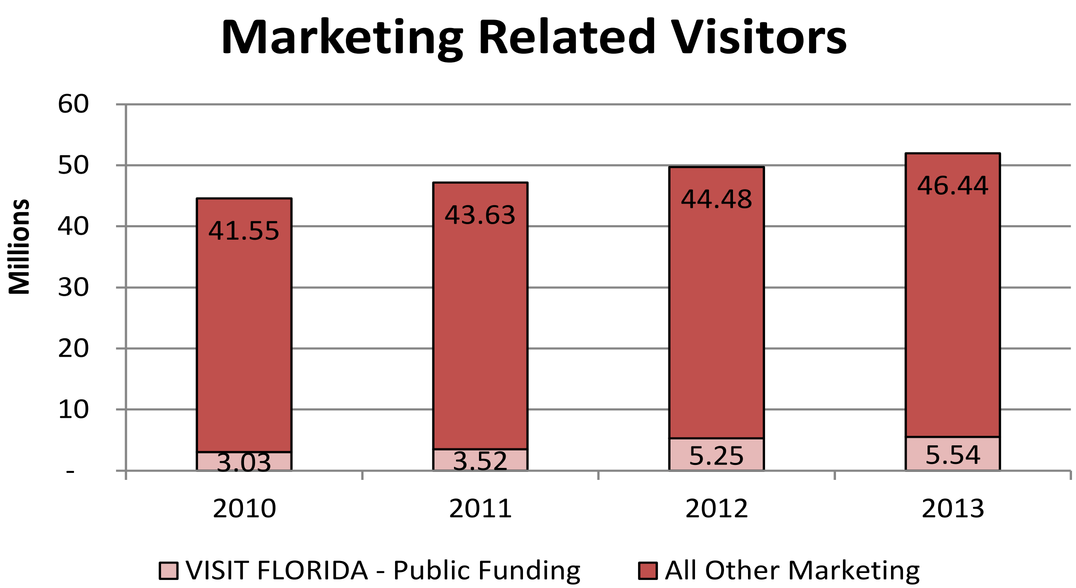
Note: Dollars are reported in millions. Jobs are reported as average annual jobs created to prevent counting accumulated jobs more than once.

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.

Allocating the Visitors...

EDR found that $1.37 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.





The direct investment by the state ($115.5 million from state funds) was 8.43% of the total major tourism marketing efforts. These advertising shares were used to allocate the total marketing-related visitors.

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.

Features of Florida that Attract Tourists

Feature	Portion of State Brand
Beaches	25.5%
Theme Park	24.3%
Retail/Dining/Nightlife	21.8%
Outdoor Recreation	7.1%
Access to International Ports or Airports	6.7%
Sports	6.0%
Festivals	4.3%
Parks/Natural Site	2.7%
Historical Significance	1.6%
Film Induced Tourism	0.0%

Source: EDR analysis of self-conducted survey results

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 Results...

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

	2010	2011	2012	2013
Total Visitors	**3.03**	**3.52**	**5.25**	**5.54**
Domestic Visitors	2.62	3.01	4.46	4.65
International Visitors	0.41	0.51	0.79	0.88
Total Spending	**$ 2,173.11**	**$ 2,110.62**	**$ 3,663.88**	**$ 3,992.14**
Domestic Spending	$ 1,784.98	$ 1,543.33	$ 2,809.54	$ 3,041.54
International Spending	$ 388.18	$ 567.30	$ 854.34	$ 950.60
Less Beach Spending Attributable to Beach Restoration	**($188.99)**	**($175.11)**	**($187.32)**	**($213.29)**
Total Spending Attributable to VISIT FLORIDA Public Marketing Spend	**$ 1,984.12**	**$ 1,995.51**	**$ 3,475.55**	**$ 3,778.85**

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.
  - Lodging
  - Meals in restaurants
  - Gifts at souvenir shops
  - Entertainment at amusement parks, movie theaters, and sporting events

- Production for products is generally sourced locally (backward linkages).

- State investment in VISIT FLORIDA is relatively low compared to the amount of economic activity generated by out-of-state tourists.

Options for Improving VISIT FLORIDA's ROI...

- Expand marketing efforts to focus on underserved or niche markets in order to attract more visitors. This would increase the total number of tourists, an essential part of improving the ROI.

- The ROI for VISIT FLORIDA suggests that it is currently a strong investment for the state; however, additional state funding for the same advertising program would not necessarily increase the ROI.

  - ***Scenario 1 for Increasing or Constant Returns****...The state's share of total advertising funding would have to increase significantly relative to everyone else, without increasing the state cost per tourist more than the expected benefit to the state in order for the expenditure to be worthwhile. Even so, the ROI may stay the same.*

  - ***Scenario 2 for Diminishing Returns****...it would have taken an additional $40 million over the review period (an increase of nearly 35% of VISIT FLORIDA's public funding) to increase Florida's share to 10% of total advertising, assuming everyone else stayed the same. However, the size of a cost increase like this would cause the ROI to drop if each additional tourist becomes increasingly costly to attract.*

- Make current expenditures more cost effective by finding efficiencies --- reduce costs if possible. For example, leveraging social media.

Economic Benefits from Sports Programs...

Program	ROI	State Expenditures	Disposable Income	GDP	Jobs
Florida Sports Foundation (FSF) Grant Program	5.61	$2.3	$313.0	$371.8	787
Professional Sports Franchise Incentive	0.30	$48.0	$307.6	$382.4	645
Spring Training Baseball Franchise Incentive	0.11	$12.6	$22.5	$34.6	73
Professional Golf Hall of Fame Facility Incentive	-0.08	$6.0	-$17.7	-$16.5	-34
International Game Fish Association World Center	-0.09	$3.0	-$9.4	-$9.2	-18

Note: Dollars are reported in millions. Jobs are reported as average annual jobs created to prevent counting accumulated jobs more than once. The reported ROIs are related to the specific program designs that existed between 2010 and 2013; they do not reflect any subsequent legislative changes.

Positive Drivers Underlying the ROI for the Florida Sports Foundation Grants...

- Low Cost Relative to State Benefit
  - Average grant amount per event was under $15,000.
  - The state cost per out-of-state visitor for all five programs is $65.73; for FSF, the cost is $9.57.

- High Percentage of Out-of-State Visitors
  - By design, the FSF Grant Program sponsors events that will attract out-of-state visitors.
  - During the review period, a total of 1,094,960 out-of-state visitors were estimated to have visited Florida due to the five sports programs; 238,395 (21.8%) were related to FSF.

- Return-Based Incentive
  - Each FSF grant reflects the anticipated benefit of the event, and FSF can adjust the final award amount based on the event's actual impact.
  - For the other programs, Florida makes a long-term financial commitment without knowing the long-term economic benefits generated from the facilities.

- Facility Construction
  - During the review period, two sports facilities underwent construction or renovation.
  - The benefits of construction are typically localized. The work is labor intensive and the wages are spent locally which drives up Florida's GDP and the return on investment.
  - The materials are largely taxable.

Negative Drivers of ROI for Other Sports

- Program costs high relative to the state benefit. The majority of visitors to the facilities are Florida residents.

- Capital investments (construction) generally occurred prior to review period, meaning those benefits did not impact the economy during the review period.

- The financing responsibilities for facility funding are shared, therefore the economic benefit is proportionately distributed among the contributors.

- Florida's financial commitment to these programs diverts spending away from other state programs that have a greater economic impact for the state. For bonding-related programs, the state's investment lasts for a long period of time; a significant portion goes to interest payments that do not add to the state's economy.

- The ROI does not take into account any intangible benefits associated with the professional sports and spring training programs. Intangible benefits can include increased community pride or media exposure from televised sporting events. While these benefits likely exist, they are difficult to include in the ROI calculation.

Options for Improving Sports' ROI...

- Increase the number of out-of-state visitors.
  - Explore promotional strategies with VISIT FLORIDA that have sports tie-ins.
  - Advertise package deals (hotel, rental car, tickets) in visiting team's home market.
  - Explore the cost-effectiveness of additional state participation in bidding for signature events.

- Conduct independent economic impact studies for future facilities.
  - Develop realistic estimates of out-of-state visitors to facilities and the long-term economic impact to the state.
  - Adjust the state incentive amount to reflect the expected gain in state revenue.

- Consider recalculating the state and local shares of the debt service payments each year based on the prior year's split between out-of-state and in-state attendees.

- Consider making upfront low-interest or interest-free construction loans to the local governments for the state's investment in the facilities instead of recurring sales tax distributions for debt service.

Economic Benefits from Entertainment Industry

	ROI	State Expenditures	Disposable Income	GDP	Jobs
Entertainment Industry Incentive – Scenario 1 Credits Taken	0.43	$43.3	$512.9	$518.4	878
Entertainment Industry Incentive – Scenario 2 Credits Awarded	0.25	$67.3	$463.1	$460.0	751
Entertainment Industry Sales Tax Exemption	0.54	$44.2	$1,704.7	$1,747.6	3,256

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

Two scenarios were developed for the Entertainment Industry Incentive to recognize that the current tax credit program did not begin until July 1, 2010. Because there is a lag time associated with this type of incentive, no tax credits were taken in the first year of the program (FY 2010-11), and the state costs were zero. The second scenario—credits awarded—may provide a more accurate picture of the ROI for a mature program, but it is not reflective of the actual experience during this particular three-year review period.

Comparison to Other States...

Estimates of Return on Investment by State Entities for State Film Incentive Programs

State	Year of Review	Research or Report Sponsor	% of Reimbursement for Qualified Expenditures	ROI to the State
Alaska	2012	Legislative Budget & Audit Cm	30 - 44%	$0.07
Arizona	2008	Department of Commerce	20 - 30%	$0.27
California	2014	Legislative Analyst Office	20 - 25%	$0.65
Connecticut	2014	Dept. of Economic & Com. Dev.	30%	-$0.09
	2008	Dept. of Economic & Com. Dev.	30%	$0.08
Florida	2014	Economic & Dem. Research	20 - 30%	
		Credits Awarded		$0.43
		Awarded Credits Assumed Used		$0.25
Louisiana	2013	Dept. of Economic Development	30 - 35%	$0.11
	2011	Legislative Fiscal Office		$0.15
	2009	Dept. of Economic Development		$0.13
	2005	Legislative Fiscal Office		$0.16 to $0.18
Maryland	2014	Dept of Legislative Services-Draft	25 - 27%	$0.06*
Massachusetts	2013	Dept. of Revenue	25%	$0.13
Michigan	2014	Michigan Film Office**	29% (2012)	$0.38
			37% (2011)	$0.24
	2010	Senate Fiscal Agency	42%	$0.11
New Mexico	2014	Dept. of Finance & Administration	25 - 30%	$0.33
	2008	Legislative Finance Committee	25%	$0.14
North Carolina	2014	Legislative Services Office	25%	$0.46***
Pennsylvania	2013	Independent Fiscal Office	25 - 30%	$0.14

* October 2014 Draft

** While commissioned by the Michigan Film Office, the analysis was conducted by Regional Economic Models, Inc., a recognized independent research entity.

***4/13/14 Preliminary

Entertainment Industry: Positive Drivers of ROI

- Entertainment Industry Financial Incentives Program

Scenario 1 – Tax Credits Taken

- Additional support could have been provided by local governments that was not identified.
- Assumption that all projects meet the “but for” test.
- Exclusion of credits awarded but not taken. This boosted the ROI since no tax credits were taken in the first year; the program began the first year of the review period.

Scenario 2 – Tax Credits Awarded

- Additional support could have been provided by local governments that was not identified.
- Assumption that all projects meet the “but for” test.

- Entertainment Industry Sales Tax Exemption
  - For the projects used in the analysis, the analysis assumes that the sales tax exemption induces the exempt expenditures; in other words, that they would not have occurred in the absence of the exemption.
  - Assumption that expenditures estimated at the time of application reflect actual expenditures. This assumption may have a neutral effect, rather than positive.

Negative Drivers of Entertainment Industry ROI

- Entertainment Industry Financial Incentives Program
  - Some capital investment projects could have taken place that were not identified.
  - Some companies participated in both programs, driving up the total state cost.
  - No spending was attributed to film-induced tourism due to inconclusive evidence from the academic literature and EDR survey results. Even if 100% as effective as major advertising efforts, the expenditure relative to $1.37 billion in direct advertising would still be small.
  - The transitory nature of film production has impermanent effects on the economy.
  - Program design which includes *Transferability of Tax Credits* --- Credits may be sold to someone with a tax obligation, either directly or through an intermediary, and typically at a discount. The state pays more than it has to (equal to the amount of the discount) for the same amount of production activity. This drives up costs without a commensurate benefit.

- Entertainment Industry Sales Tax Exemption
  - Not all recipients meet the “but for” assumption. Certain companies were “culled.” For example, Florida companies existing prior to 2000, before the state’s incentive efforts began.
  - Some companies participated in both programs, driving up the total state cost.

Options for Improving the Entertainment Industry's ROI...

- Entertainment Industry Financial Incentive
  - Remove the loss associated with the transferability of tax credits by awarding cash grants instead of the credits.

    Option 1... Set total cash awards equal to the projected cost for credits which would actually increase the dollars flowing directly to the industry (no leakage).

    Option 2... Set total cash awards equal to the existing discounted level that actually goes to the industry which would reduce the program's costs while maintaining the same level of output.

  - Include a capital investment requirement.
  - Introduce more competition for awards and stronger qualifying criteria.
  - Link award levels to the level of actual Florida exposure in the production—essentially buying direct "product" placement—in order to provide a quantifiable connection to tourism.
  - Require or strongly reward recipients for completing pre-production and post-production work in Florida, introducing forward and backward linkages.

- Entertainment Industry Sales Tax Exemption
  - Consider changing to a refund program with additional criteria and/or targeting.

Comparison to Other Programs...

Ranked Incentives and Investments	ROI	STATUS
Qualified Target Industry (QTI)	6.4	More than Breaks Even (State makes money from the investment)
Florida Sports Foundation Grant Program	5.6	
Economic Evaluation of Florida's Investment in Beaches	5.4	
VISIT FLORIDA Advertising	3.2	
Capital Investment Tax Credit (CITC)	2.3	
Brownfield	1.1	
Quick Action Closing Fund (QACF)	1.1	
High-Impact Sector Performance Grant (HIPI)	0.70	Does Not Break Even (however, the state recovers a portion of the cost)
Entertainment Industry Sales Tax Exemption (STE)	0.54	
Entertainment Industry Financial Incentives Program (Tax Credit or FTC)	0.43	
Professional Sports Franchise Incentive	0.30	
Innovation Incentive Program (IIP)	0.20	
Spring Training Baseball Franchise Incentive	0.11	
Urban High-Crime Area Job Tax Credit	0.07	
Enterprise Zones	-0.05	State Loses All of Its Investment (plus incurs additional costs)
Professional Golf Hall of Fame Facility Incentive	-0.08	
International Game Fish Association World Center Facility Incentive	-0.09	

F l o r i d a L e g i s l a t u r e

Florida Economic Development Program Evaluations – Year 2

REPORT NO. 15-01
1/1/2015

Office of Program Policy Analysis and Government Accountability

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-9213), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

OPPAGA website: www.oppaga.state.fl.us

R. Philip Twogood, Coordinator

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Executive Summary

Scope

Section 288.001, *Florida Statutes*, requires the Office of Program Policy Analysis and Government Accountability (OPPAGA) and the Office of Economic and Demographic Research (EDR) to provide a detailed analysis of state economic development programs according to a recurring schedule established in law. The analysis is due to the Legislature by January 1 of each year.[1]

OPPAGA must evaluate each program over the previous three years for effectiveness and value to the state's taxpayers and include recommendations for consideration by the Legislature. The analysis may include relevant economic development reports or analyses prepared by the Department of Economic Opportunity (DEO), Enterprise Florida, Inc. (EFI), or local or regional economic development organizations; interviews with parties involved; or any other relevant data.[2, 3]

EDR must evaluate and determine the economic benefits, as defined in s. 288.005(1), *Florida Statutes*, of each program over the previous three years. For the purposes of EDR's analysis, the calculation of economic benefits is the same as the state's return on investment. The analysis will also identify the number of jobs created, the increase or decrease in personal income, and the impact on state gross domestic product from the direct, indirect, and induced effects of the state's investment in each program over the previous three years.

Incentives administered by three entities are scheduled for review by January 1, 2015.

1. Office of Film and Entertainment administered Entertainment Industry Financial Incentive Program and the Entertainment Industry Sales Tax Exemption Program
2. VISIT FLORIDA and its programs
3. Florida Sports Foundation and related programs

The review period covers Fiscal Years 2010-11, 2011-12, and 2012-13.

[1] The first scheduled reviews were published on January 1, 2014. See *Florida Economic Development Program Evaluations–Year 1*, OPPAGA Report No. 14-01, January 2014 and *Return-on-Investment for Select State Economic Development Incentive Programs*, Office of Economic and Demographic Research, January 1, 2014.

[2] The 2011 Legislature created DEO by repealing the Department of Community Affairs, the Agency for Workforce Innovation, and the Office of Tourism, Trade and Economic Development (OTTED) and transferring some or all of their functions to the new department; this included economic incentive-related functions previously performed by OTTED. A primary purpose of the legislation was to streamline the state's economic development and workforce functions. The new department began operations on October 1, 2011.

[3] EFI is a public-private partnership created by the Legislature to serve as the state's principal economic development organization.

Background

The economic development incentives and programs offered by the Office of Film and Entertainment, VISIT FLORIDA, and the Florida Sports Foundation represent a wide range of benefits for businesses. For example, entertainment industry incentives include tax credits and sales tax exemptions, while VISIT FLORIDA primarily offers tourism marketing, promotion, and advertising programs. In addition, sports incentives are provided through grants and a professional sports facility funding program.

Entertainment Industry Incentives. The Legislature established film and entertainment industry incentives to encourage the use of Florida as a site for filming and digital production and to develop and sustain the workforce and infrastructure for such productions. The Office of Film and Entertainment (OFE) is the primary entity responsible for administering two incentive programs.[4]

- Entertainment Industry Financial Incentive Program—-offers transferable tax credits for expenditures related to qualified productions
- Entertainment Industry Sales Tax Exemption Program—-provides sales tax exemptions for certain purchases by qualified production companies

VISIT FLORIDA Programs. The Legislature created VISIT FLORIDA (VF) as the state's official tourism marketing corporation, representing Florida's entire tourism industry. The organization's primary responsibilities include

- conducting domestic and international marketing activities;
- administering domestic and international advertising campaigns;
- conducting research on tourism and travel trends;
- managing the state's welcome centers; and
- administering a number of small grant programs.

Florida Sports Foundation Programs. The Florida Sports Foundation serves as the Sports Industry Development Division of EFI. The purpose of the foundation is to

- assist Florida's communities with securing, hosting and retaining sporting events and sports related businesses;
- provide Floridians with participation opportunities in Florida's Sunshine State Games and Florida Senior Games;
- serve as Florida's designated resource for sports tourism research;
- promote targeted leisure sports industries in Florida; and
- assist national and Florida state governing bodies to promote amateur sport development in the state.

In addition, state law provides procedures by which new or retained professional sports franchises in Florida may be certified to receive state funding to pay for acquiring, constructing, reconstructing, or renovating facilities. DEO is responsible for screening and certifying applicants for state funding, and the Florida Sports Foundation provides access to information about the program.[5]

See Exhibit 1 for a summary of each program under review.

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[4] The office is administratively housed within DEO. The Department of Revenue also has some program responsibilities.

[5] Since 1994, the Legislature has allocated state funding for 8 major professional sports facilities; 10 Major League Baseball spring training facilities; the Professional Golf Hall of Fame; and the International Game Fish Association World Center.

Exhibit 1
The Three Entities under Review Provide a Wide Variety of Economic Development Incentives

Program	Incentive Type	Statutory Reference
Entertainment Industry Incentives ▪ *Transferable Tax Credits:* Qualified productions in Florida may receive transferable tax credits; these productions include motion pictures, television programs, commercials, documentaries, music videos, and digital media. Qualified expenditures include payments for goods and services purchased or leased from state businesses and wages paid to legal state residents. No production may receive tax credits exceeding 30% of qualified expenditures. ▪ *Sales Tax Exemptions.* Qualified companies in Florida engaged in producing motion pictures, television series, commercials, music videos, and sound recordings may apply for an exemption from sales tax on the purchase or lease of certain items used exclusively as an integral part of production activities in the state.	- Transferable Tax Credits - Sales Tax Exemptions	ss. 288.1254 and 288.1258, *F.S.*
VISIT FLORIDA Programs ▪ *Tourism Promotion and Marketing:* VF partners with businesses, destinations, and destination marketing organizations throughout the state. To enhance brand awareness and leverage funds for marketing efforts, partners participate in promotional opportunities and advertising campaigns. ▪ *Cooperative Marketing Program:* Participating partners are required to contribute cash in order to be featured in a VF advertisement. By leveraging private sector funding, VF maximizes its own advertising budget for greater exposure. Cooperative advertising can help generate statewide visitation, as well as attract visitors to specific areas or attractions. ▪ *Welcome Centers:* VF manages five welcome centers at key locations in the state that serve as a "one-stop resource" for visitors. Four welcome centers are located along the main travel corridors leading into the state, and the fifth welcome center operates in the state capitol building in Tallahassee. ▪ *Grants*: A number of small grant programs provide organizations and state agencies funding for certain tourism-related activities. These include convention grants for attracting national conferences and conventions to Florida.	- Tourism Promotion - Cooperative Marketing - Welcome Centers - Grants	ss. 288.122, 288.1226, 288.12265, and 288.124 *F.S.*
Florida Sports Foundation Programs ▪ *Major, Regional, and Small Grant Programs:* Grant Programs assist communities and host organizations in attracting sports events, with the intent that these events will have significant economic impact generated by out-of-state visitors. Events considered for grant funding include amateur or professional sports or other types of athletic events approved by the foundation's board. ▪ *Professional Sports Facility Funding*: Qualified professional sports franchises receive state funding for the public purpose of construction, reconstruction, renovation, or improvement of facilities.	- Grants - Professional Sports Facility Funding	ss. 288.1162, 288.11621, 288.1166, 288.1167, 288.1168, 288.1169 and 288.1171, *F.S.*

Source: *The Florida Statutes.*

Findings

Stakeholders are generally satisfied with the economic programs and services offered by the Office of Film and Entertainment, VISIT FLORIDA, and the Florida Sports Foundation. However, relative to other competing states, the strength of the industries that benefit from the incentives and programs varies. For example, Florida's entertainment industry is declining in comparison to other competing states, while its tourism and sports industries outpace those of other states. In addition, across the three entities, there are several concerns related to program administration and the methods used to assess the impact of the incentives and programs offered to businesses.

Entertainment Industry Incentives. Sixty-eight productions received $67.3 million in tax credits during the three-year review period. These productions spent $284.4 million for qualified goods and services, with television projects making the majority of these purchases. The 68 productions employed 29,023 Florida residents, with television and film productions accounting for 24,654 of these employees. However, most employees were extras or stand-ins, which are generally part-time positions. Similarly, employment data reported by sales tax exemption recipients show that less than 20% of total jobs reported were full-time positions.

To determine how Florida compares to other states, OPPAGA examined film and entertainment incentive programs offered by major competing states and performed detailed analyses of industry employment trends. Our review found that Florida's tax credit program is not as generous as other competing states' incentives and its film and entertainment industry employment is declining in comparison to other states. Industry stakeholders reported that Florida's entertainment incentives, while lacking, are very important to their ability to produce content in the state. Stakeholders offered a number of suggestions for improving the state's incentive programs, including authorizing additional tax credits and modifying program criteria.

The Office of Film and Entertainment's administration of tax credits could be improved. For example, the office's review of production audits has resulted in a backlog and approval delays, which prolongs payment to tax credit recipients. According to program participants, it took up to a year to receive tax credit awards after they provided the office with post-production audits. Office staff confirmed that it takes four to eight months to review and approve audits. We also found that program managers were setting the effective dates for sales tax exemption certificates prior to the application dates for those exemptions; this practice was evident in 25% of the exemption applications for which we had data. According to OFE officials, s. 288.1258, *Florida Statutes*, does not mandate the start date of exemptions, and the office backdates certificates to be "business-friendly." However, this procedure is not formalized and calls into question whether these companies' purchases were tax exempt under state law.

VISIT FLORIDA Programs. Various state, local, federal, and private entities engage in tourism promotion and marketing activities similar to those conducted by VISIT FLORIDA. As a result, it is difficult to attribute statewide travel and tourism indicators to VF's performance alone. Efforts to assess the organization's performance are also hindered by existing performance measures that are not linked to meaningful standards or are drawn from survey research that has some methodological limitations.

Tourism efforts across the state are continuing to expand through historic and cultural tourism, eco-tourism, space tourism, agri-tourism, international, rural, and medical tourism. VF works with state agencies on a project-by-project basis, but the state might benefit from a more coordinated approach to ensure efficient use of tourism marketing resources. In general, stakeholders support VF's mission and believe its efforts have had a major impact on the state's tourism industry. However, many paying partners reported never using several of the organization's services, including the industry hotline, welcome center options, and cooperative advertising opportunities.

An assessment of the state's tourism employment relative to other states with strong tourism industries showed that Florida's tourism industry employment outpaced national and industry trends. In addition, shift share analysis shows that Florida's tourism industry jobs are attributable to the state's relative competitive advantage rather than industry growth nationwide or general economic recovery.

Florida Sports Foundation Programs. To determine how Florida compares to other states with regard to sports-related jobs, OPPAGA assessed the state's position in employment relative to other competing states. Our analysis showed that Florida's sports industry employment outpaced national and industry trends. Amateur and professional sports industry stakeholders are very satisfied with the Florida Sports Foundation's programs and performance and believe that the industry significantly benefits from the foundation's activities. However, we determined that the foundation's process for administering grants should be improved to help ensure that estimated economic impacts are accurate.

Regarding professional sports, data reported by sports organizations and teams shows that participation and attendance vary across Florida's amateur and professional events. Participation in amateur sports has increased, and spring training attendance has remained relatively constant. However, while exceeding estimates, attendance for the state's professional teams tends to be less than that of teams in other states. The number of visitors to the World Golf Hall of Fame and International Game Fish Association World Center has been significantly lower than expected.

To improve the process of awarding state funds for professional sports facilities, the 2014 Legislature created the Sports Development Program. The Department of Economic Opportunity is the lead agency for screening applications and forwarding qualifying applications to the Legislature for review and approval. The Florida Sports Foundation provides access to information about the new program. In addition, spring training facilities have been required to submit annual reports, including cost-benefit information, to DEO, but our review of these reports indicated that they significantly vary in data elements included, methodology, and specificity.

Recommendations

There are a number of issues that could be addressed to enhance the administration of incentives and programs offered to businesses through the Office of Film and Entertainment, VISIT FLORIDA, and the Florida Sports Foundation. Improvements should also be made to the methods used to assess the impact of tourism and sports incentives and programs. Legislative action would be necessary to implement some of these recommendations.

Entertainment Industry Incentives. If the Legislature chooses to allocate additional tax credits under s. 288.1254, *Florida Statutes,* there are several issues it may wish to consider.

- To ensure that tax credits are available during all fiscal years for which they are allocated, the Legislature could amend s. 288.1254, *Florida Statutes,* to require that the amount of tax credits awarded during a single fiscal year not exceed the amount of tax credits allocated for that year.
- To improve program administration, the Legislature could direct the Department of Economic Opportunity to use a third party to process tax credit audits. This option could expedite the audit review process and reduce delays in awarding tax credits. The department currently uses a third party to review other economic development incentives, such as those awarded through the Qualified Target Industry Tax Refund program.

Moreover, to ensure that production company purchases are tax exempt under state law, Office of Film and Entertainment staff should discontinue the informal process of backdating sales tax exemption applications.

VISIT FLORIDA Programs. To address concerns about measuring VISIT FLORIDA's impact on the state's tourism industry, there are a number of recommendations that VF could consider. The Legislature could also consider expanding VF's role to provide for greater coordination of state-level tourism efforts.

- To ensure that its performance measures are meaningful, VF should review all of its measures and establish standards and timeframes that challenge the organization to improve performance rather than maintain targets that have already been achieved.
- To improve the quality of the research studies that assess its influence in bringing visitors to Florida, VF should consider alternative research design, methods, and vendors that might provide a more reliable survey of VF's influence. In addition, VF should consider options to strengthen its ROI studies and the use of these results in assessing the organization's annual performance.
- To enhance coordination of the state's various tourism-related marketing activities, the Legislature could consider directing VF to designate one or more staff to coordinate with and provide subject matter expertise for state agency tourism marketing initiatives. Such liaisons could also help rural tourism marketing offices and small cultural organizations maximize limited resources.

Florida Sports Foundation Programs. There are steps that the Florida Sports Foundation and the Department of Economic Opportunity could take to enhance the reliability of economic impact data related to grant-funded events and spring training facilities.

- To help ensure that grant funds achieve the anticipated economic impact, local and regional sports commissions that receive grant funding should present the data used to estimate economic impacts with the post-event reports. For example, recipients could provide a summary of the documentation, methodology, and sources that support reported economic impacts of grant-funded events.
- To help ensure that information is reported in a consistent manner, it would be helpful for DEO to provide the spring training facilities with standard reporting guidelines for the cost-benefit information and to review the annual reports to determine if they comport with the guidelines.

Chapter 1

Film and Entertainment Industry Financial Incentives Programs

Scope

By January 1, 2015, and every three years thereafter, the Office of Program Policy and Government Accountability (OPPAGA) and Office of Economic and Demographic Research (EDR) must review incentives administered by the Office of Film and Entertainment within the Department of Economic Opportunity. The review must include the

- Entertainment Industry Financial Incentive Program established under s. 288.1254, *Florida Statutes*, and
- Entertainment Industry Sales Tax Exemption Program established under s. 288.1258, *Florida Statutes*.

The review period covers Fiscal Years 2010-11, 2011-12, and 2012-13.

Background

The Legislature established film and entertainment industry incentives to encourage the use of Florida as a site for the filming and digital production of films and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production. Two types of incentives are available – transferable tax credits for expenditures related to qualified productions and sales tax exemptions for certain purchases by qualified production companies. The Office of Film and Entertainment (OFE) and the Department of Revenue administer these incentives.

The Legislature established the current Entertainment Industry Sales Tax Exemption Program in 2000; prior to 2000, the Department of Revenue administered two sales tax exemptions and one sales tax refund related to the film and entertainment industries. That year, the Legislature changed the refund to an exemption and consolidated the application process for all three exemptions. In 2003, the Legislature created the Entertainment Industry Financial Incentive Program.[6, 7] In 2005 and 2007, the Legislature modified the program including broadening the definition of filmed entertainment, establishing three queues for distributing funds, and creating bonus incentives for family-friendly and off-season productions. Most recently, the 2010 Legislature changed the incentive program from a reimbursement to a transferable tax credit and included digital media projects in the definition of entertainment industry.[8]

[6] Chapter 2003-81, *Laws of Florida*.

[7] Under the original program, participating companies were reimbursed for up to 15% of qualified production expenditures of at least $850,000; payments were made on a first-come, first-served basis, with all reimbursements subject to appropriation. Thus, appropriations for a given fiscal year could be exhausted prior to a production receiving its full payment.

[8] Chapter 2010-147, *Laws of Florida*.

In addition to administering these incentive programs, OFE provides various services to the film and entertainment industry, including helping production companies find filming locations and facilitating access to those locations. Film office staff provides support to the Florida Film and Entertainment Advisory Council and promotes Florida's film, television, and digital media industry at film festivals, industry trade shows, and other events.[9] OFE also works with industry organizations, such as Film Florida and labor unions, and refers production companies to more than 60 local film offices.[10]

Activities

Florida's film and entertainment incentive programs provide qualified companies transferrable tax credits and sales tax exemptions on the purchase of production-related goods and services. The process for administering the two programs differs, with both the Office of Film and Entertainment (OFE) and the Department of Revenue performing tasks related to tax credits and sales tax exemptions.

Transferable Tax Credits. Qualified productions in Florida may receive transferable tax credits on a first-come, first-served basis.[11] Qualified productions include motion pictures, television programs, commercials, documentaries, music videos, and digital media.[12] Qualified expenditures include payments for goods and services purchased or leased from state businesses and wages paid to legal state residents. At least 60% of employees working on a given project must be Florida residents; for digital media projects, the requirement is 75%.[13] No production may receive tax credits exceeding 30% of qualified expenditures.

Qualified productions fall into three queues – General Production, Commercial and Music Video, and Independent and Emerging Media Production.

- *General Production* includes productions that demonstrate a minimum of $625,000 in qualified expenditures. Productions receive tax credits equal to 20% of qualified expenditures up to $8 million. The program must dedicate 94% of tax credits to this queue during a given fiscal year.
- *Commercial and Music Video* includes productions that demonstrate a minimum of $100,000 in qualified expenditures per commercial or music video produced by companies that expend at least $500,000 on such productions during a fiscal year. Productions receive tax credits equal to 20% of qualified expenditures up to $500,000. The program must dedicate 3% of tax credits to this queue during a given fiscal year.
- *Independent and Emerging Media Production* includes productions (except for commercials, infomercials, or music videos) that demonstrate a minimum of $100,000 in qualified expenditures but not more than $625,000. Productions receive tax credits equal to 20% of qualified expenditures. The program must dedicate 3% of tax credits to this queue during a given fiscal year.

[9] This advisory council consists of 17 members appointed by the Governor, President of the Senate, and Speaker of the House of Representatives. The council's purpose is to provide the Department of Economic Opportunity and the state film office with insight and expertise related to the Florida entertainment industry. The council holds quarterly meetings.

[10] Local film offices assist production companies to identify film locations and provide information on labor, equipment, and vendors; the local film offices also serve as liaisons between the production company and local governments in assisting them with permitting and use of public buildings and services.

[11] Section 288.1254, *F.S.*

[12] Weather or marketing programs, sporting events, political programs, and pornographic productions are not qualified productions.

[13] During the first two years of the incentive program, the requirement was that at least 50% of employees working on a given project must be Florida residents.

OFE may also award bonus tax credits. For example, certified family-friendly productions are eligible for bonus tax credits equal to 5% of actual qualified expenditures.[14] In addition, a qualified production that is shot off-season or for which at least 67% of its principal photography days occur in an underutilized region may receive an additional 5% tax credit on qualified expenditures.[15, 16] Productions that employ full-time film students attending a Florida college or university may receive a 15% tax credit on qualified expenditures paid to the students. Productions that film at least 50% of their principal photography at a qualified production facility may receive 5% bonus tax credits on qualified expenditures related to the facility.

Production companies must apply for tax credits online and provide supporting documentation to establish eligibility. Documentation includes estimated expenditures, names of key personnel, financing information, and a production schedule. An application must be complete before OFE reviews it and recommends certification to the Department of Economic Opportunity for approval. If the department certifies the production, it issues a tax credit certification letter to the applicant.[17] To remain certified and eligible for tax credits, an applicant must maintain a reasonable schedule, including beginning principal photography or production no more than 45 days before or after the start date in the production's incentive application.

Productions receive tax credit awards after providing documentation that they have spent at least the required minimum amounts of their budgets in Florida and that required minimum percentages of their employees have met the Florida residency requirement. Independent certified public accountants audit this information, and OFE staff reviews the audit reports and verifies actual qualified expenditures and state residency documentation.[18] The final tax credit award based on OFE's review may not exceed the maximum amount certified. Tax credits can become available for recertification if a certified company withdraws from the program or the final tax credit award is less than the amount certified via OFE's review of qualified expenditures.

Tax credits may be applied to corporate income taxes, sales taxes, or both. Unused credits may carry forward each year for up to five years. Within this five-year period, an applicant may transfer unused credits. A credit that applies to the sales tax may be transferred one time to one transferee, while a credit that applies to the corporate income tax may be transferred one time to no more than four transferees. Credits may be transferred to any company that has a sales tax liability, such as a corporation that operates supermarkets or department stores. Unused credits expire at the end of the five-year period.

Sales Tax Exemptions. Qualified companies engaged in producing motion pictures, television series, commercials, music videos, and sound recordings in Florida may apply to OFE for an exemption from sales tax on the purchase or lease of certain items used exclusively as an integral part of production activities in the state.[19] Examples of tax-exempt items for purchase include costumes, lighting, props, and sets. Examples of

[14] These productions include theatrical or direct-to-video motion picture productions or video games that have cross-generational appeal; are suitable for children age five or older; appropriate in theme, content, and language for a broad family audience; and do not exhibit or imply acts of smoking, sex, nudity, or vulgar or profane language.

[15] A production is certified as off-season if at least 75% of its principal photography occurs from June 1 to November 30, a period that federal and state agencies call the Atlantic Hurricane Season.

[16] An underutilized region has a regional tax credit ratio that is lower than its regional population ratio for a given fiscal year.

[17] The certification letter defines the maximum amount of tax credits the project is eligible to receive based on its submitted budget and estimated qualified expenditures.

[18] The film office staff reviews the 10 highest expenditures and 5% of all other company receipts.

[19] Section 288.1258, *F.S.*

exempt items for leasing or renting include sound stages, studios, or other real estate used as an integral part of the performance of qualified production services.

OFE reviews and approves applications for the exemptions, while the Department of Revenue issues certificates of exemption to the production companies. A production company may use a certificate of exemption when making purchases and rentals of qualified items. A Florida-based company can receive a 12-month certificate that may be renewed annually for up to five years. A Florida-based or non-Florida based company can receive a 90-day certificate and apply for an extension beyond that period.

Funding

The Office of Film and Entertainment (OFE) has committed all of the state's entertainment industry tax credits, certifying 351 projects to receive $296 million. For sales tax exemptions, estimates based on data provided by program applicants show that on an annual basis, approximately $250 million in expenditures are tax exempt, amounting to $15 million in savings for participants.

All of Florida's $296 million in film and entertainment tax credits have been certified; annual sales tax exemptions amount to approximately $15 million in savings for recipients. The Legislature allocated a total of $296 million in tax credits over six fiscal years. Annual allocations ranged from $42 million to $74.5 million. (See Exhibit 1-1.) While current law specified allocations for Fiscal Years 2010-11 through 2015-16, tax credits for all six years have been certified.

As of September 30, 2014, OFE had certified 351 projects to receive $296 million; the office has awarded tax credits totaling approximately $114.3 million for 142 of the 351 projects.[20] The remaining credits will be awarded after certified projects are completed and have demonstrated that they met all program requirements.

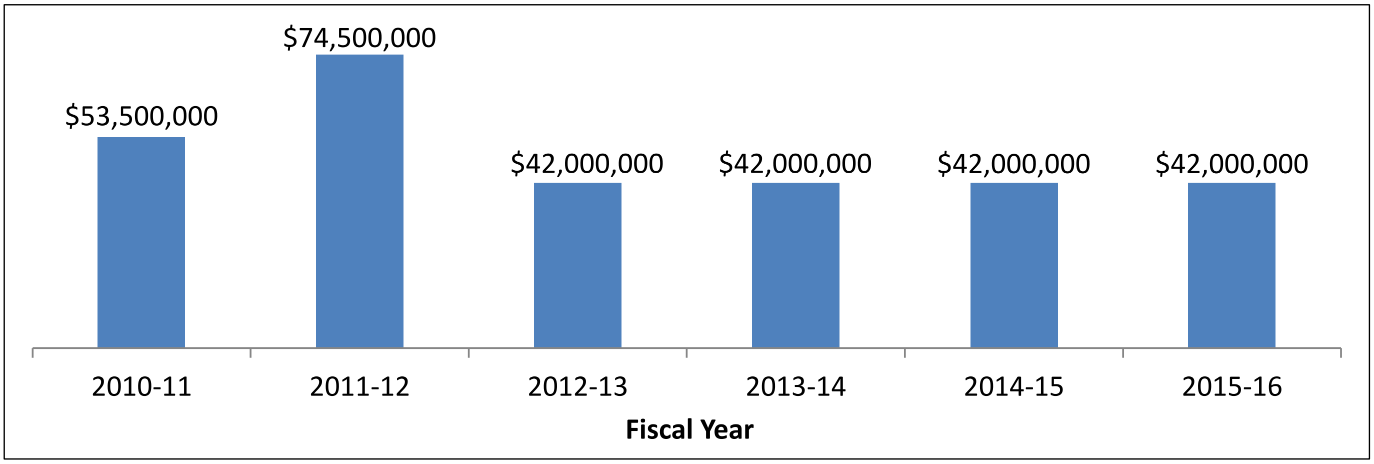
In addition, as of September 30, 2014, the office had conditionally certified 58 projects for $75.7 million.[21] OFE informs companies with conditionally certified projects that "It is possible that already-certified tax credits may be relinquished and become available, in which case this conditional certification will apply." Thus, conditional certification serves as a waiting list, but according to the office, companies are advised that they are not guaranteed receipt of tax credits.[22]

[20] As of August 2014, the $67.3 million in tax credits had been transferred to other companies. Company representatives reported that the lack of a tax liability was the primary reason for the transfer. According to Department of Revenue data, $55.2 million (82%) of the transferred credits have been used.

[21] According DEO officials, per Rule 73A-3.004(e), *F.A.C.,* OFE can conditionally certify a company's project. Under the rule, "if credits for a particular fiscal year become available in the future, either through non-award of previously certified credits or through legislative changes or otherwise, then the department shall distribute them on a first-come, first-served basis."

[22] According to OFE officials, conditional certification letters include the following language: "This conditional certification applies only to tax credits that may become available and that are to be distributed under the Entertainment Industry Financial Incentive Program as it is currently defined in statute. Should section 288.1254, *F.S.*, be amended, a new certification process may be implemented; therefore, this conditional certification conveys no rights or privileges relating to future iterations, if any, of the Entertainment Industry Financial Incentive Program."

Exhibit 1-1
The Legislature Allocated $296 Million for Film and Entertainment Tax Credits from Fiscal Year 2010-11 to Fiscal Year 2015-16



Source: Section 288.1254, *F.S.*

The Department of Revenue does not capture sales tax exemption fiscal data, because retailers do not provide information to the department to show how many of their sales are tax exempt. Thus, the amount of taxes exempted is an estimate based on figures provided by program recipients on the application forms that they submit to OFE; the office includes this data in its annual reports. Qualified production companies reported, via applications, that they would spend an estimated $1 billion annually from Fiscal Years 2010-11 through 2012-13, with approximately $250 million in tax-exempt purchases per year. Based on these expenditure estimates, we determined that the annual exemption amount was approximately $15 million. (See Exhibit 1-2.)

Exhibit 1-2
Estimated Sales Tax Exempted at $15 Million per Year

Fiscal Year	Estimated Expenditures	Tax-Exempt Expenditures	Estimated Tax-Exempt Amount (Based on 6% Sales Tax)
2010-11	$1,010,404,652	$256,086,039	$15,365,162
2011-12	$1,015,136,941	$244,285,873	$14,657,152
2012-13	$1,104,213,354	$243,579,538	$14,614,772

Source: OPPAGA analysis of data reported in *Entertainment Industry Sales Tax Exemption Annual Report* for Fiscal Years 2010-11, 2011-12, and 2012-13..

Program administrative costs totaled about $1 million for Fiscal Years 2010-11 through 2012-13. For Fiscal Years 2011-12 through 2012-13, OFE spent $1.0 million to administer film and entertainment industry financial incentives with five FTEs; the office was unable to provide data for Fiscal Year 2010-11, because at that time, the incentive programs were administered by the Governor's Office of Tourism, Trade, and Economic Development.[23] In addition, during the review period (Fiscal Years 2010-11 through 2012-13), the Department of Revenue spent $51,537 administering the incentive programs.

[23] The office was a predecessor of the Department of Economic Opportunity. When the department was created in 2011, the office's functions were transferred to the department.

Findings

Sixty-eight productions received $67.3 million in tax credits during the three-year review period. These productions spent $284.4 million for qualified goods and services, with television projects making the majority of these purchases. The 68 productions employed 29,023 Florida residents, with television and film productions accounting for 24,654 of these employees. However, most employees were extras or stand-ins, which are generally part-time positions. Similarly, employment data reported by sales tax exemption applicants show that less than 20% of total jobs reported were full-time positions.

To determine how Florida compares to other states, OPPAGA examined film and entertainment incentive programs offered by major competing states and performed detailed analyses of industry employment trends. Our review found that Florida's tax credit program is not as generous as other states' incentives and its film and entertainment industry employment is declining in comparison to other states. Industry stakeholders reported that Florida's entertainment incentives, while lacking, are very important to their ability to produce content in the state. Stakeholders offered a number of suggestions for improving the state's incentive programs, including authorizing additional tax credits and modifying program criteria.

The Office of Film and Entertainment's (OFE) administration of tax credits could be improved. For example, the office's review of production audits has resulted in a backlog and approval delays, which prolongs payment to tax credit recipients. According to program participants, it took up to a year to receive tax credit awards after they provided the office with post-production audits. Office staff confirmed that it takes four to eight months to review and approve audits.

We also found that program managers were setting the effective dates for sales tax exemption certificates prior to the application dates for those exemptions; this practice was evident in 25% of the exemption applications for which we had data. According to OFE officials, s. 288.1258, *Florida Statutes*, does not mandate the start date of exemptions, and the office backdates certificates to be "business-friendly." However, this procedure is not formalized and calls into question whether these companies' purchases were tax exempt under state law.

Large Scale TV Productions in Southeast Florida Received the Majority of Tax Credits; Most Companies Applying for Sales Tax Exemptions Are Located in Florida

Our review of data for the Entertainment Industry Financial Incentive Program and Entertainment Industry Sales Tax Exemption Program found that projects in the general production queue are awarded the most tax credits, and in-state companies receive the most sales tax exemptions. In addition, the majority of tax credits are awarded to television productions and projects conducted in the southeast part of the state.

As required by state law, general productions received most of the tax credits awarded. During Fiscal Years 2010-11 through 2012-13, OFE awarded $67.3 million in tax credits to 68 certified projects. Projects in the General Production queue received $64.3 million (96%) of the tax credits awarded. (See Exhibit 1-3.)

Exhibit 1-3
Large Scale Productions Received the Most Tax Credits

Queue	Projects	Tax Credits Awarded
General Production	32	$64,339,104
Commercial and Music Video	14	1,698,078
Independent and Emerging Media Production	22	1,244,887
Total	**68**	**$67,282,069**

Source: OPPAGA analysis of Office of Film and Entertainment data.

Across the three funding queues, various types of productions are eligible for tax credits. Television productions received 45% of the tax credits awarded. Television series with multiple seasons, such as *Burn Notice* and *The Glades*, accounted for most of these tax credits. Award amounts for television productions ranged from $33,306 to $6.7 million. Digital media and film productions accounted for most of the remaining tax credits awarded at 29% and 23%, respectively. (See Exhibit 1-4.)

Exhibit 1-4
Across the Three Funding Queues, Television Productions Received the Most Tax Credits

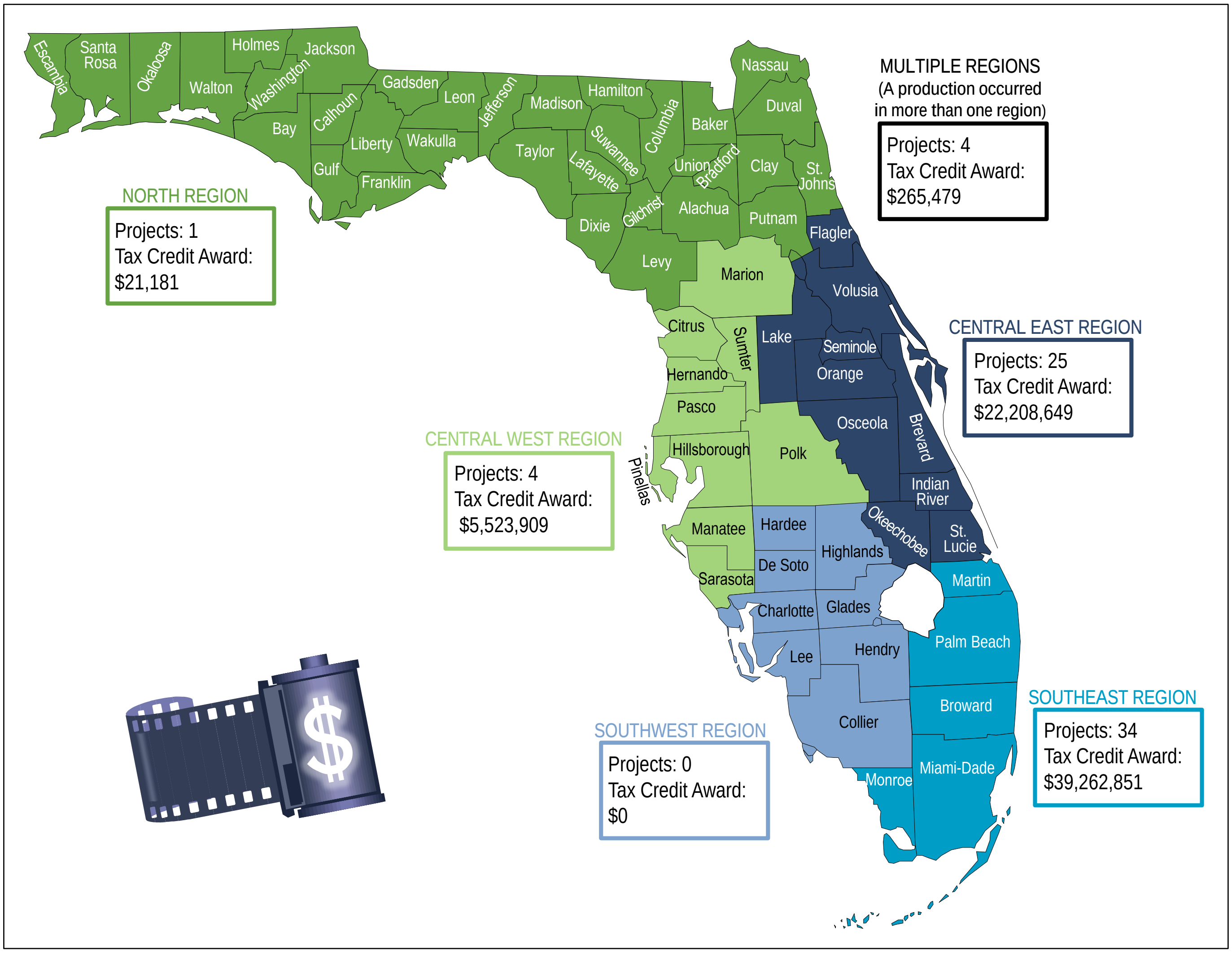
Production Type	Projects	Tax Credits Awarded
Television (e.g., television series, television pilots, and television specials)	21	$30,300,174
Digital Media (e.g., video games)	19	19,767,902
Films (e.g., feature films)	14	15,515,915
Commercials	14	1,698,078
Total	**68**	**$67,282,069**

Source: OPPAGA analysis of Office of Film and Entertainment data.

The majority of the 68 projects awarded tax credits were located in central east and southeast regions of the state, primarily in Orlando and Miami. (See Exhibit 1-5.) The underutilized regions of the state, such as the north region, have access to an additional 5% tax credit, but only one project received such a bonus during Fiscal Years 2010-11 through 2012-13.[24] Among the remaining projects, 23 received other program bonuses – 11 off-season bonuses, 9 family-friendly bonuses, and 3 family-friendly and off-season bonuses.

[24] The Office of Film and Entertainment calculates a regional tax credit ratio between the amount of tax credits awarded and certified in a region and tax credits awarded and certified in the state. If the regional tax credit ratio is lower than a ratio of the region's population to the state population in a fiscal year, the region is considered underutilized.

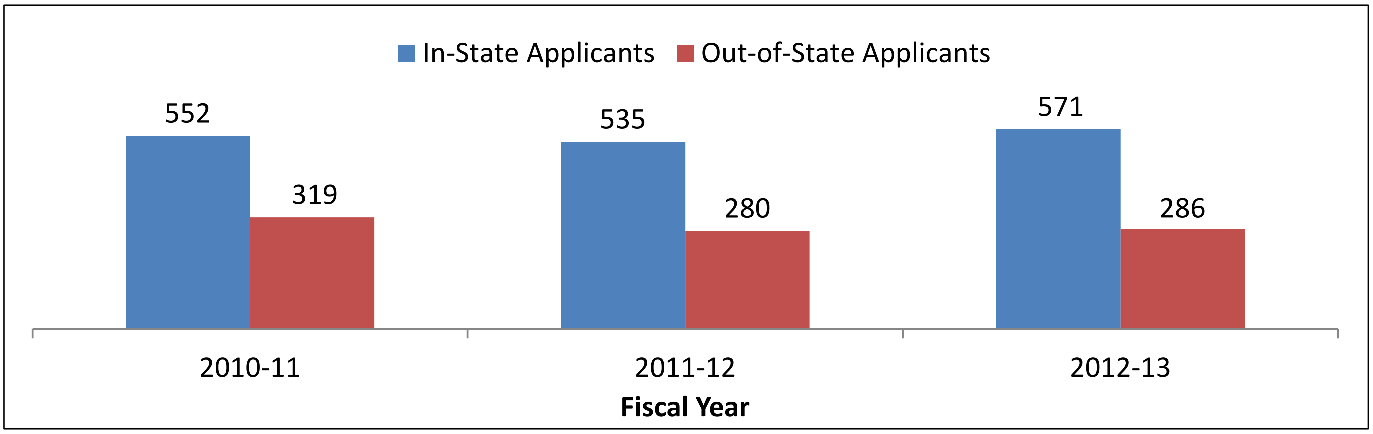
Exhibit 1-5
Southeast Florida Productions Received the Most Tax Credits



Source: OPPAGA analysis of Office of Film and Entertainment data.

In-state companies applied for most of the sales tax exemptions. During Fiscal Years 2010-11 through 2012-13, there were 871, 815, and 857 annual sales tax exemption applicants, respectively. Over half of the exemption recipients were in-state companies, accounting for more than 60% each year. (See Exhibit 1-6.)

Exhibit 1-6
Most Sales Tax Exemption Applicants Were In-State Companies

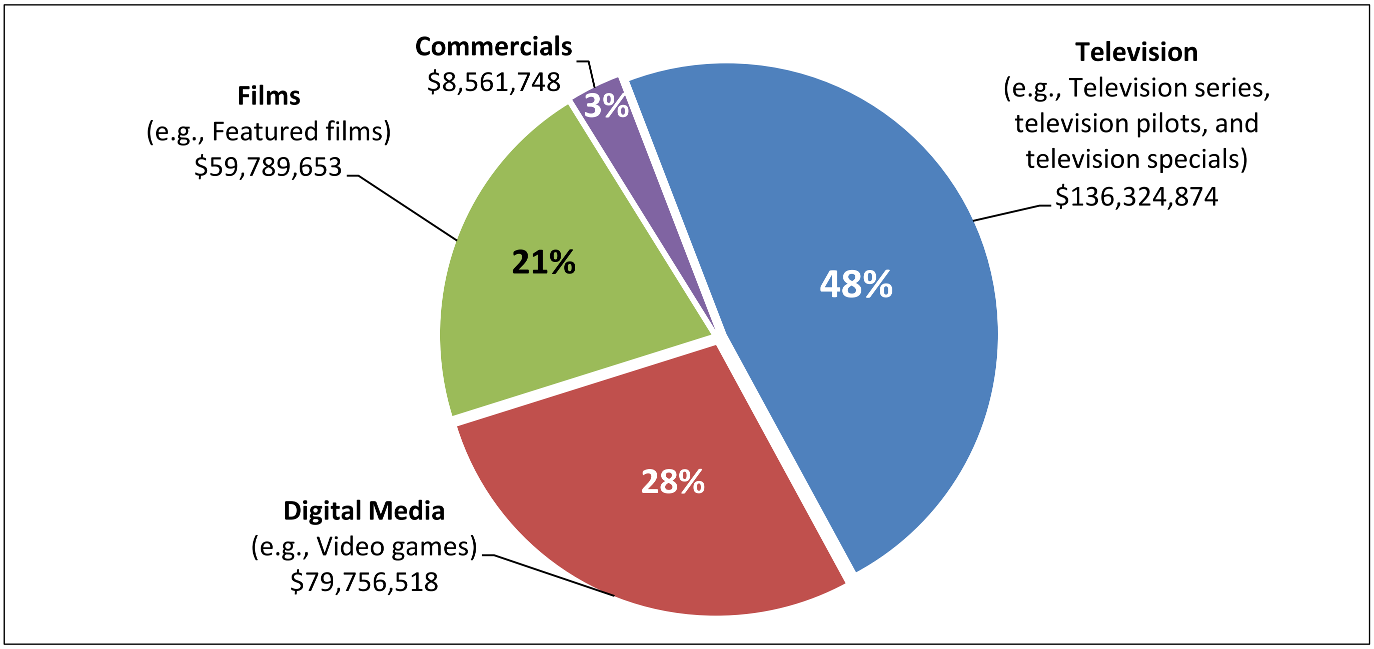


Source: OPPAGA analysis of Office of Film and Entertainment data.

Television Productions Generate the Greatest Expenditures; Most Production-Related Employment is Part-time

The production companies that received $67.3 million in tax credits during Fiscal Years 2010-11 through 2012-13 spent $284.4 million for qualified goods and services purchased or leased from Florida businesses and wages paid to Florida residents. Television productions made nearly 50% ($136.3 million) of these qualified production expenditures, followed by digital media at 28% ($79.8 million). (See Exhibit 1-7.)

Exhibit 1-7
Television Productions Made Almost Half of Qualified Expenditures



Source: OPPAGA analysis of Office of Film and Entertainment data.

Production companies receiving tax credits reported employing 29,023 Florida residents. Television and film productions accounted for 85% of total employees, with 24,654. Most employees (61%) for these productions were extras or stand-ins. (See Exhibit 1-8.)

Exhibit 1-8
Most Production Employees Were Extras and Stand-ins

Production Type	Position Types			
	Talent	Crew	Extras/Stand-In	Total
Television (e.g., television series, television pilots, and television specials)	884	4,396	12,127	17,407
Films (e.g., feature films)	405	2,046	4,796	7,247
Commercials	231	1,429	651	2,311
Digital Media (e.g., video games)	36	2,022	0	2,058
Total	**1,556**	**9,893**	**17,574**	**29,023**

Source: OPPAGA analysis of Office of Film and Entertainment data.

A comparison of reported employees and hourly employment data for 28 of the 68 projects indicates most employees are part-time.[25] Companies for 28 projects reported having 18,270 employees on their productions, of which 12,883 (71%) positions were extras and stand-ins. Using hourly employment data for these projects, we estimated 1,217 full-time equivalent positions.[26] Further, according to employment data reported by sales tax exemption applicants, less than 20% of the total jobs reported were full-time positions.

Entertainment Industry Stakeholders Are Satisfied with Office of Film and Entertainment Performance, but Suggested Several Improvements to Incentive Programs

OPPAGA staff interviewed local and regional film commissioners and surveyed recipients of tax credits and sales tax exemptions to determine the nature of their interactions and satisfaction with OFE.[27] We also sought to better understand businesses' experience with the incentive programs and the role incentives played in business decisions. Stakeholders generally are satisfied with OFE's performance and reported that the state's entertainment incentives, while lacking, are very important to their ability to produce content in Florida. Stakeholders offered a number of suggestions for improving the state's incentive programs.

Stakeholders are generally very satisfied by OFE's services, but the state's incentives received low ratings. Local film commissions and recipients of tax credits and sales tax exemptions sought assistance from OFE for a variety of services, including assistance with locations, productions, permitting, and incentives. Of the 264 survey respondents that provided opinions regarding satisfaction with OFE, 81% (215) were either very satisfied or satisfied with the office's services. Six local film commissioners that mentioned OFE were complimentary of the office's services.

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[25] OFE requires that production companies report the pay hours for their cast, crew, extras/stand-ins, and total project. However, hourly employment data was available for only 28 of the 68 (41%) projects that received tax credits during the study period.

[26] We based our calculation on a full-time equivalent of 35 hours per week for 52 weeks.

[27] OPPAGA staff interviewed eight local film commissioners in the cities of Fort Walton Beach, Jacksonville, Miami Beach, Orlando, and Sarasota and Broward, Miami-Dade, and Palm Beach counties. We interviewed eight tax credit recipients involving multiple productions. We surveyed 1,326 individuals representing multiple production companies that had received tax credits and sales tax exemptions during the three years of our review; 390 (29%) individuals responded. We estimate that the survey's margin of error is plus or minus 4%. However, not all respondents answered all questions. Multiple stakeholders inverviewed by OPPAGA staff voiced opinions similar to those expressed by survey respondents. Published reports on the state of Florida's film and entertainment industry have highlighted similar findings.

Survey respondents reported that state incentives and the availability and cost of labor were the most important factors in making location decisions. However, Florida received poor ratings for incentives and other factors. For example, 92% (246) of survey respondents reported that state incentives were important or very important factors influencing location decisions. However, respondents gave Florida poor ratings for local and state incentives. (See Exhibit 1-9.)

Exhibit 1-9
Among Production Location Selection Factors, Florida Receives a High Rating for its Natural Features; Incentives, Facilities, and Permitting Receive Low Ratings

Factors	Important to Location Decision [1]	Florida Rating[2]
Availability of a skilled work force	A	C
Labor costs	A	C
State financial incentives	A	D
Ease of access to public facilities such as roads, bridges, courthouses, rail lines, airports, etc.	B	C
Geographical features such as beaches, forests, rivers, etc.	B	B
Local financial incentives	B	F
Regulatory (permitting) structure	B	D
State tax structure	B	C
Availability of facilities such as sound stages and recording studios	C	D
Existing presence in a state	C	D

[1] Survey respondents were asked the importance of various factors in selecting a production or project location. Grades are based on percentage of responses that were very important (VI) or important (I). Grading scale: A= 100-90%, B= 89.9-80%, C= 79.9-70%, D= 69.9-60%, and F= 59.9-0%.

[2] Survey respondents were asked to rate Florida as a location for company's activities. Grades are based on percentage of responses that were very strong (VS) or strong (S). Grading scale: A= 100-90%, B= 89.9-80%, C= 79.9-70%, D= 69.9-60%, and F= 59.9-0%.

Source: Analysis of OPPAGA survey.

We also asked tax credit recipients what effect the lack of incentives would have on productions or projects. Of the 262 recipients who answered the question, 23% (61) would have proceeded as planned, 43% (113) would have proceeded on a smaller scale, 3% (8) would have cancelled production, and 31% (80) would have proceeded in another state. Forty-three percent (113) of respondents considered completing their project in other states including California, Georgia, Louisiana, New York, and North Carolina.

Industry stakeholders suggested several improvements to Florida's entertainment incentives. Regarding the tax credit program, industry representatives and local film commissioners continue to believe that the Legislature should allocate additional tax credits. Stakeholders suggested annual allocations of $50 million to $200 million. While the lowest amount is significantly less than incentives offered by other states, some stakeholders believe it is enough to make Florida competitive. Stakeholders also reported that the amount of tax credits certified for approval during a given fiscal year should not exceed the amount allocated for that year.

Other suggested improvements included

- basing approval for tax credits on the number of jobs a project will create and its overall economic benefit to the state, including attracting more tourists;

- increasing the percentage of credits dedicated to the commercial and music video queue from 3% to 5% or 6%;
- reducing the minimum expenditure from $100,000 to $50,000 and abolishing the $500,000 expenditures per fiscal year requirement;
- raising the underutilized regions bonus from 5% to 10%; and
- abolishing the family-friendly bonus.

Other Competing States Generally Outperformed Florida's Film and Entertainment Industry in Incentive Funding and Industry Employment Growth

To determine how Florida compares to other states, we examined film and entertainment incentive programs offered by major competing states and performed detailed analyses of industry employment trends. Our review found that Florida's tax credit program is not as generous as other states' incentives. We also determined that Florida's film and entertainment industry employment is declining in comparison to other states.

Other competing states offer more robust incentives than those provided in Florida. Industry stakeholders identified Georgia and Louisiana, due to their proximity and generous incentive programs, as Florida's strongest competitors for production projects. These states do not cap the annual amount of tax credits awarded and allow credits to be applied to wages paid to in- and out-of-state employees. Other states with film and entertainment industry tax credits that are more generous than Florida's program include California and New York, which historically have had strong film and entertainment industries. (See Exhibit 1-10.)

Exhibit 1-10
California, Georgia, Louisiana, and New York Offer More Generous Film and Entertainment Industry Tax Credits than Florida

	Incentive Requirements	Florida	California	Georgia	Louisiana	New York[1]
Qualified Production Expenditures	Minimum Percentage	20%	20%	20%	30%	30%
	Maximum Percentage	30%[2]	25%	30%[3]	30%	30%
	In-State Businesses?	Yes	Yes	Yes	Yes	Yes
	Out-of-state Businesses?	No	Yes	No	No	Yes
Wages Paid to Production Employees	Percentage Paid for State Residents	20%	20%-25%[4]	20%	35%	30%[4]
	Percentage Paid for Nonresidents	0%	20%-25%[4]	20%	30%	30%[4]
Use of Tax Credits	Percentage Paid through State Buyback	0%	0%	0%	85%	100%
	Transferable to Other Companies?	Yes	No[5]	Yes	Yes	No
	Years to Use the Credit	5	5	5	10	NA
Funding Caps	Per Project Cap	$8 million	No Cap	No Cap	No Cap	No Cap
	Program Cap	$296 million through June 30, 2016	$330 million annually	No Cap	No Cap	$420 million annually

[1] New York has a separate post-production-only tax credit incentive of 30%-35%.

[2] A 5% bonus is paid for family friendly films or video games; filming in underutilized counties; filming from June 1 through November 30; filming at a qualified production facility/digital media facility; and employing Florida student's and/or recent graduates. Florida statutes permit a maximum incentive of 30%.

[3] A 10% bonus is paid for displaying the State of Georgia peach logo in film credits.

[4] This credit is only for below-the-line employees and does not include actors, producers, directors, and writers.

[5] Only tax credits issued to an independent film may be transferred or sold to one unrelated party.

Source: Cast and Crew Entertainment Services, Inc., entertainment Partners, and s. 288.1254, *F.S.*

Florida's film and entertainment industry employment is declining relative to other competing states. Given Florida's significant investment in the film and entertainment industry, we conducted economic analyses of the industry to gain a better understanding of how the state is performing relative to other competing states and the national economy. The Department of Economic Opportunity uses 15 industry codes to define the film and entertainment and digital media industry; we included 2 additional industry codes identified by digital media experts to better represent this segment of the industry.[28]

- Traditional film and entertainment industry
  - Agents and managers for public figures
  - Cable and other subscription programming
  - Commercial photography
  - Independent artists, writers, and performers
  - Motion picture and video distribution
  - Motion picture and video production
  - Musical groups and artists
  - Other motion picture and video industries
  - Other sound recording industries
  - Record production
  - Satellite telecommunications
  - Sound recording studios
  - Tele-production and post-production services
  - Television broadcasting
- Digital media
  - Custom computer programming services
  - Internet publishing and broadcasting and web search portals
  - Software publishers

We used these codes to compare Florida's film and entertainment industry employment growth to industry employment growth from 2009 (the year before the tax credit program started) to 2013.[29, 30] Comparison states included California, Georgia, Louisiana, and New York.

Total film and entertainment industry employment grew in all five states and the nation from 2009 to 2013. However, Florida's employment growth ranked last during that period. Further, total film and entertainment employment growth in both California and Florida were less than national employment growth, while it was greater in Georgia, Louisiana, and New York. (See Exhibit 1-11.)

[28] The North American Industry Classification System is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

[29] Employment figures are from the U. S. Department of Labor's Bureau of Labor Statistics. Data for 2013 are preliminary. Louisiana and New York had data that were not disclosable for four industries – tele-production and postproduction services, other motion picture and video industries, record production, and satellite telecommunications. Therefore, employees in these industries were excluded from the analysis.

[30] Because digital media employment is such a large portion of total film and entertainment industry employment, we analyzed data for those 3 industry codes and 10 traditional industry codes separately. For example, 2013 digital media employment accounted for 1,177,776 of the 1,738,780 total film and entertainment industry employment in the nation, or 68%. Florida's 2013 digital media employment was also 68% of the total, while it was 56% in California and 70% in Georgia.

Exhibit 1-11
Florida's Total Film and Entertainment Industry Growth Was Less than Other Competing States and the National Average

State	Traditional Film and Entertainment	Digital Media	Total Film and Entertainment Industry
Louisiana	71.9%	13.6%	45.2%
New York	16.5%	49.3%	28.7%
Georgia	6.7%	25.5%	19.3%
California	1.6%	30.7%	16.6%
Florida	**9.5%**	**15.7%**	**13.7%**
United States	3.5%	23.8%	16.7%

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

We also calculated location quotients to compare statewide employment in the film and entertainment industry to national employment in that industry. Location quotients exceeding 1.0 indicate that state levels of industry employment were higher than the national level. A positive change in location quotient indicates that the industry is growing relative to the nation. Florida's 2013 location quotient is less than one in all industry sectors, which indicates that the industry employment is less than the national level. Florida employment declined relative to the nation and other states for the digital media and the total film and entertainment industry. Traditional film and entertainment industry employment increased in Florida and other states except for California. For example, in Florida, employment increased in sound recording industries. (See Exhibit 1-12.) (For additional analysis, see Appendices A and B.)

Exhibit 1-12
Most States Outpaced Florida's Film and Entertainment Industry Employment Growth from 2009 to 2013

	State	Location Quotient 2013	Change in Location Quotient 2009 to 2013
Total Film and Entertainment Industry	New York	1.51	0.14
	Louisiana	0.56	0.11
	Georgia	1.18	0.03
	Florida	**0.70**	**-0.02**
	California	2.13	-0.04
Traditional Film and Entertainment	Louisiana	1.16	0.47
	New York	2.75	0.30
	Florida	**0.70**	**0.04**
	Georgia	1.12	0.04
	California	2.89	-0.10
Digital Media	New York	0.95	0.16
	California	1.79	0.07
	Georgia	1.20	0.02
	Louisiana	0.29	-0.02
	Florida	**0.70**	**-0.05**

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

We also conducted a shift-share analysis of the film and entertainment industry for Florida and the four comparison states. Shift-share represents how much of the employment growth or decline in a state's industry was due to the national or state economy, the national or state level trend within the particular industry, and the state's characteristics. Shift-share is comprised of the three components, with the change in employment between 2009 and 2013 equal to the sum of the components.

- *National (or State) Growth Share* is the change in employment due to the growth of the overall national or state economy. If the national or state economy is growing, then one would expect to see a positive change in each industry in the state.
- *Industry Mix Share* is the change in employment due to the growth (or decline) of the overall industry in the nation or state relative to the growth (or decline) of the overall national or state economy.
- *Regional Shift* is the change in employment due to the state's characteristics (also referred to as competitive share). A positive regional shift indicates the state's industry is outperforming the national or state trend. A negative effect indicates that the state's industry is underperforming compared to the national or state trend.

Our shift share analysis shows that California and Florida underperformed the nation and compare unfavorably to Georgia, Louisiana, and New York for total film and entertainment industry employment. However, Florida is competitive with other states among traditional film and entertainment industry sectors. In the digital media industry, Florida and Louisiana underperformed the nation and compared unfavorably to California, Georgia, and New York for employment growth. Overall, the data shows that Florida is the least competitive among the five states for digital media employment growth. (See Exhibit 1-13.) (For additional analysis, see Appendix B.)

Exhibit 1-13
Florida Was Less Competitive than Other States in Total Industry Employment Growth from 2009 to 2013

	State	Employment Change 2009 to 2013	National Share	Industry Mix	Regional Shift
Total Film and Entertainment Industry	New York	37,310	7,284	14,362	15,664
	Louisiana	4,159	517	1,019	2,623
	Georgia	9,449	2,750	5,422	1,277
	California	60,149	20,322	40,068	-241
	Florida	**8,314**	**3,404**	**6,712**	**-1,802**
Traditional Film and Entertainment	New York	13,449	4,567	-1,752	10,634
	Louisiana	3,584	280	-107	3,412
	Florida	**1,852**	**1,096**	**-421**	**1,176**
	Georgia	1,080	909	-349	520
	California	2,855	9,844	-3,776	-3,213
Digital Media	California	57,294	10,478	33,991	12,826
	New York	23,861	2,717	8,815	12,329
	Georgia	8,369	1,841	5,973	555
	Louisiana	575	237	769	-432
	Florida	**6,462**	**2,308**	**7,487**	**-3,332**

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

The Office of Film and Entertainment's Program Administration Could Be Improved

The Office of Film and Entertainment's (OFE) review of production audits has resulted in a backlog and approval delays. Program recipients reported that it took up to a year to receive tax credit awards after they provided the office with required expenditure information and audit reports. OFE staff reported that it takes four to eight months to review and approve audits. Program recipients attributed this delay to an insufficient number of OFE staff. As of November 2014, there were 57 audits pending staff review. The backlog not only delays payment for production companies awarded tax credits but also delays any tax credits that may be recertified for use by other certified companies.

We also found that program managers were setting the effective dates for sales tax exemption certificates prior to the application dates for those exemptions. This practice was evident in 25% (639 of 2,545) exemption applications for which we had data. Program managers reported that they have established this internal procedure to backdate applications for up to 30 days under extraordinary circumstances, such as an applicant forgetting an application deadline or wanting to include a large purchase already made. According to OFE officials, s. 288.1258, *Florida Statutes*, does not mandate the start date of exemptions, and the office backdates certificates to be "business-friendly." However, this procedure is not formalized and calls into question whether these companies' purchases were tax exempt under state law.

Recommendations

If the Legislature chooses to allocate additional tax credits under s. 288.1254, *Florida Statutes*, there are several issues it may wish to consider.

- To ensure that tax credits are available during all fiscal years for which they are allocated, the Legislature could amend s. 288.1254, *Florida Statutes,* to require that the amount of tax credits awarded during a single fiscal year not exceed the amount of tax credits allocated for that year.
- To improve program administration, the Legislature could direct the Department of Economic Opportunity to use a third party to process tax credit audits. This option could expedite the audit review process and reduce delays in awarding tax credits. The department currently uses a third party to review other economic development incentives, such as those awarded through the Qualified Target Industry Tax Refund program.

Moreover, to ensure that production company purchases are tax exempt under state law, Office of Film and Entertainment staff should discontinue the informal process of backdating sales tax exemption applications.

Appendix A

Location Quotient

We calculated location quotients for each film and entertainment industry sector in Florida. (See Exhibit A-1.) Location quotients compare statewide employment in a given industry to national employment in that industry. Location quotients exceeding 1.0 indicate that state levels of industry employment were higher than the national level. A positive change in location quotient indicates that the industry is growing relative to the nation; the shaded cells in the exhibits below represent positive changes in location quotients from 2009 to 2013.

Exhibit A-1
Location Quotients for Florida's Film and Entertainment Industry

	Location Quotient	
Florida Industry	2009	2013
Software publishers	0.59	0.64
Motion picture and video production	0.37	0.34
Motion picture and video distribution	0.42	0.44
Tele-production and post-production services	0.48	0.45
Other motion picture and video industries	0.27	0.51
Record production	0.96	0.67
Sound recording studios	1.05	1.40
Other sound recording industries	0.61	1.95
Television broadcasting	1.12	1.16
Cable and other subscription programming	0.32	0.60
Satellite telecommunications	0.73	1.11
Internet publishing and broadcasting and web search portals	0.74	0.53
Custom computer programming services	0.83	0.76
Commercial photography	1.02	1.03
Musical groups and artists	0.89	0.85
Agents and managers for public figures	0.85	0.92
Independent artists, writers, and performers	1.00	0.88

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

Appendix B

Shift-Share Analysis

We conducted a shift-share analysis for each film and entertainment industry sector in Florida. (See Exhibit B-1.) Shift-share represents how much of the employment growth or decline in the state or county industry was due to the national or state economy, the national or state level trend within the particular industry, and the state or county's characteristics. Shaded cells represent instances where the state industry is outperforming the national employment trend.

Exhibit B-1
Shift-Share Analysis for Florida's Film and Entertainment Industry

Florida Industry	Employment Change (2009-2013)	National Growth Share	Industry Mix Share	Regional Shift
Software publishers	2,191	487	920	784
Motion picture and video production	163	221	315	-373
Motion picture and video distribution	-27	10	-47	10
Tele-production and post-production services	-18	24	-17	-25
Other motion picture and video industries	21	3	-16	34
Record production	-34	5	-12	-28
Sound recording studios	48	18	-62	92
Other sound recording industries	161	5	-10	166
Television broadcasting	602	427	-153	328
Cable and other subscription programming	879	88	-364	1,155
Satellite telecommunications	70	31	-175	214
Internet publishing and broadcasting and web search portals	864	195	2,288	-1,619
Custom computer programming services	3,407	1,626	4,340	-2,559
Commercial photography	22	29	-15	8
Musical groups and artists	-170	102	-192	-80
Agents and managers for public figures	218	50	71	97
Independent artists, writers, and performers	-44	146	131	-321

Source: OPPAGA analysis of U. S. Department of Labor, Bureau of Labor Statistics data.

Chapter 2
VISIT FLORIDA

Scope

By January 1, 2015, and every three years thereafter, the Office of Program Policy Analysis and Government Accountability (OPPAGA) and the Office Of Economic and Demographic Research (EDR) must review VISIT FLORIDA and its programs established or funded under ss. 288.122, 288.1226, 288.12265, and 288.124, *Florida Statutes*. The review period covers Fiscal Years 2010-11, 2011-12, and 2012-13.

Background

Established by the Legislature in 1996 as the state's official tourism marketing corporation, VISIT FLORIDA (VF) serves as Florida's statewide destination marketing organization (DMO) representing the state's entire tourism industry.[31] VF's mission is to promote travel and drive visitation to and within Florida, with the goal of attracting 100 million annual visitors.[32] In calendar year 2013, Florida had 93.7 million out-of-state and international visitors.

VF is a 501(c)(6) not-for-profit corporation and a subcontractor of Enterprise Florida, Inc. (EFI), a public-private partnership created by the Legislature to serve as the state's principal economic development organization.[33, 34] EFI, in conjunction with the Department of Economic Opportunity (DEO), appoints VF's 31-member board of directors.[35] The board, which meets three times per year, provides guidance, input and insight into the evolution and development of VF programs, processes, and messages; acts as a steering council for various committees; and works directly with VF executive staff to guide strategy.

Activities

VISIT FLORIDA's primary responsibilities include

- administering domestic and international advertising campaigns;
- conducting research on tourism and travel trends;
- conducting domestic and international marketing activities; and
- managing the state's welcome centers.

VF also administers a number of small grant programs that provide organizations and state agencies funding for certain tourism-related activities. Grant funds total less than $2 million per year. (See Appendix A for more information about the grant programs.)

[31] Section 288.1226, *F.S.*

[32] VISIT FLORIDA defines a visitor as a person who is a non-resident that stays at least one night in the state.

[33] Sections 288.901 through 288.923, *F.S.*

[34] Although VF was originally a direct-support organization of the Florida Commission on Tourism, the commission was abolished in 2011, and VF was made a direct-support organization of EFI.

[35] The board is composed of 15 tourism industry representatives and 16 representatives from different geographic areas of the state.

Through its efforts to promote Florida, VF partners with thousands of businesses, destinations, and destination marketing organizations throughout the state. VF has approximately 11,000 tourism industry partners, ranging from small local businesses to county DMOs (i.e., convention visitor bureaus) to major tourist destinations. VF board members also include major tourism industry associations such as the Florida Restaurant and Lodging Association, the Florida Attractions Association, the Florida Association of Destination Marketing Organizations, and the Florida Association of RV Parks & Campgrounds.

VF provides a variety of services to its partners based on a tiered membership structure: Free Online Membership, Enhanced Online Membership ($365/year), Small Business Membership ($395/year, and must have less than $1.25 million in gross profits), and Premier Partner ($1,500/year). Paying partners have access to VF's market research and are able to participate in the cooperative advertising and promotional programs organized by VF. These benefits provide partners with information and opportunities to leverage their own marketing budgets. In Fiscal Year 2012-13, VF had 2,638 paying partners and 9,133 non-paying partners.

Industry partners engage in cooperative advertising and promotional activities. To enhance brand awareness and leverage funds for marketing efforts, VF partners participate in promotional opportunities and advertising campaigns. The Cooperative Advertising Program requires participating partners to contribute cash in order to be featured in a VF advertisement. For example, VF has purchased train wraps in northern cities with generic VF advertising that included ads for specific partners who participated in the project. By leveraging additional funding from the private sector, VF maximizes its own advertising budget for greater exposure. Cooperative advertising can help generate statewide visitation to Florida, as well as attract visitors to specific areas or attractions.

VF partners also participate in cooperative promotional activities intended to increase brand awareness and attract visitors. VF assembles special deals, such as vacation packages, that are promoted on the VF website, radio shows, media websites, and in magazines. In order to participate, partners must contribute to the promotion itself (e.g., offer discounted hotel rates, provide tickets to attractions, etc.). VF then contracts with a media outlet, such as a radio station, to offer the promotion to callers listening to local programming.

VISIT FLORIDA conducts extensive domestic and international marketing, which is informed by in-house and contracted research. Direct marketing includes advertising that is planned and paid for by VF.[36] In addition, VF staff attends numerous travel trade events, tourism conventions, and domestic and international sales missions, which allows the organization to promote Florida to travel agents, tour operators, meeting planners, consumers, and key feeder markets. VF also hosts media familiarity tours that pay for out-of-state or international media to visit Florida and learn about the state's various vacation activities. Following the tour, media guests write articles that highlight the state's tourism attractions. VF also promotes the state through race car sponsorships, television shows, and other state and local tourism events.[37]

To obtain data on visitors and visitation patterns, VF gathers tourism and travel-related research that includes data from the U.S. Census Bureau, the U.S. Department of Commerce, and numerous third party vendors.[38] This information is compiled annually in VF's Florida Visitor Study. The visitor study is

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[36] VF contracts with various firms for creative production, media buying, website development, public relations, etc. For example, in Fiscal Year 2012-13, VF's contract with SapientNitro, VF's agency of record for creative production, media buying, website development and marketing services, totaled $13.7 million.

[37] In recent years, VF has sponsored various race cars. In Fiscal Year 2012-13, VF sponsored #40 Share a Little Sunshine Dempsey Racing Mazda RX-8 in 13 races at a cost of $3.7 million. In Fiscal Year 2013-14, VF sponsored the #00 VISIT FLORIDA.com Speed Source Mazda 6 in 12 races, the #90 Spirit of Daytona Visit Florida.com in 12 races, and the #55 Visit Florida.com Schmidt Peterson Motorsports in 1 race, for a total cost of $1.9 million. In Fiscal Year 2014-15 VF is sponsoring #90 Spirit of Daytona in 12 races at a cost of $2.1 million.

[38] D.K. Shifflet & Associates, VisaVue Travel, and other independent research sources conduct third party vendor studies.

used to help inform future advertising campaigns and is available to marketing partners as a membership benefit. VF also uses this data to profile visitors, including the number and type of visitors (e.g., out-of-state, international, and in-state), trip purpose, size and demographics of travel party, type of transportation used, destination region, and the season of travel. In addition, VF collects and reports information that provides estimates of visitors' economic impact, including visitor spending amounts on lodging, meals, and attractions; length of stay; sales tax revenues collected from visitor purchases; and travel-related employment.

VISIT FLORIDA operates the state's official welcome centers. VF manages five welcome centers at key locations in the state that serve as a one-stop resource for visitors. Four welcome centers are located along the main travel corridors leading into the state, and the fifth welcome center operates in the state capitol building in Tallahassee.[39] The Department of Transportation owns the buildings that house the four highway welcome centers, but the centers are staffed and managed by VF.

Funding

General revenue and industry partnership fees fund VISIT FLORIDA activities. The Legislature appropriated $63.5 million for Fiscal Year 2013-14. This amount does not include contributions from the private sector in the form of media value or in-kind donations from partners.

Over the last 10 fiscal years, VF's budget and associated expenditures have steadily increased. Expenditures increased from $32.9 million in Fiscal Year 2010-11 to $56.1 million in Fiscal Year 2012-13. During this same period, private sector contributions to VF marketing efforts (in the form of cooperative advertising and promotions) doubled. (See Exhibit 2-1.)

Exhibit 2-1
VISIT FLORIDA Expenditures and Private Sector Contributions Have Steadily Increased[1, 2]

Activity	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
General and Administrative	$ 3,583,193	$ 3,869,864	$ 4,356,129
Marketing General and Creative	2,181,179	2,141,704	2,476,442
Marketing Advertising	17,081,763	23,074,810	36,129,831
Marketing Research	582,118	636,138	896,243
Promotions	726,963	1,083,564	1,598,883
Marketing Public Relations	614,908	695,462	635,480
Meetings and Events	4,194,849	4,806,429	5,886,049
Visitor Services	3,024,937	2,997,388	3,132,457
Industry Relations	874,636	852,233	1,037,82
Total Expenditures by VF	**$32,864,546**	**$ 40,157,593**	**$ 56,149,335**
Cooperative Promotional Value Total[3]	$34,841,752	$ 71,008,843	$ 82,569,946[5]
Cooperative Advertising Value Total[4]	15,095,263	17,271,574	18,682,886
Total Cooperative Value from Private Sector	**$49,937,015**	**$ 88,280,417**	**$101,252,832**
Total Expenditures and Cooperative Value	**$82,801,561**	**$128,438,010**	**$157,402,168**

[1] Figures in Exhibit 2-1 do not reflect legislative appropriations but rather VF expenditures.
[2] Includes VF expenditures by category as well as the funding contributed by private sector businesses in the form of cooperative promotional value and cooperative advertising value.
[3] Cooperative advertising value is the total amount paid by VF partners in cooperative advertising efforts. This does not include the portion spent by VF on cooperative advertisements.
[4] Cooperative promotional value is the value of the promotional activities as represented by the number of individuals that were exposed to VF marketing activities through radio promotions, magazine articles, and newspaper articles.
[5] Regarding cooperative promotional value, VF's independent auditors note that the media equivalency value associated with the complimentary advertising is considered a gift-in-kind and is not recognized for financial statement purposes.
Source: OPPAGA analysis of VISIT FLORIDA data.

[39] The welcome centers located along the main travel corridors leading into the state are on I-95 in Jacksonville, I-10 in Pensacola, I-75 in Live Oak, and US-231 in Marianna.

VF employs 131.5 full-time equivalent (FTE) employees in two functional areas: marketing and finance and administration. This includes 39 FTEs at the five welcome centers. VF also contracts with several international firms for services in various regions, including Austria, Canada, China, Germany, India, Ireland, Latin America, Mexico, the Netherlands, South America, Switzerland, and the United Kingdom.

Findings

Various state, local, federal, and private entities engage in tourism promotion and marketing activities similar to those conducted by VISIT FLORIDA. As a result, it is difficult to attribute statewide travel and tourism indicators to VF's performance alone. Efforts to assess the organization's performance are also hindered by existing performance measures that are not linked to meaningful standards or are drawn from survey research that has some methodological limitations.

Tourism efforts across the state are continuing to expand through historic and cultural tourism, eco-tourism, space tourism, agri-tourism, international, rural, and medical tourism. VF works with state agencies on a project-by-project basis, but the state may benefit from a more coordinated approach to ensure efficient use of tourism marketing resources. In general, stakeholders support VF's mission and believe its efforts have had a major impact on the state's tourism industry. However, many paying partners reported never using several of the organization's services, including the industry hotline, welcome center options, and cooperative advertising opportunities.

An assessment of Florida's tourism employment relative to other states with strong tourism industries showed that Florida's tourism industry employment outpaced national and industry trends. In addition, shift-share analysis shows that Florida's tourism industry jobs are attributable to the state's relative competitive advantage rather than industry growth nationwide or general economic recovery.

It Is Difficult to Distinguish VISIT FLORIDA's Influence from that of Other Entities that Engage in Similar Tourism Marketing Activities

VISIT FLORIDA focuses much of its efforts on statewide tourism goals such as increasing total visitors and visitor spending in the state. As a result, these same indicators are often used to promote VF's success in positioning Florida as the top travel destination in the world. However, numerous other entities also actively promote the state. State agencies, county governments, the federal government, and the private sector all engage in tourism promotional activities, including statewide marketing. Moreover, county governments and private businesses specifically market local attractions and destinations.

VISIT FLORIDA uses travel market intelligence to measure organizational impact. VF retains research contractors who collect a range of information about visitation to Florida. In addition to using this information to examine visitors and visitation patterns and inform marketing campaigns, VF uses the data as broad indicators of the success of the organization's efforts. In annual reports, VF indicates that due to its efforts, travel to Florida has been steadily increasing. (See Exhibit 2-2.) However, destination marketing best practices strongly caution against using total visitors as a tourism marketing organization's performance indicator because it is extremely unlikely that the organization generated every visitor.[40] Thus, changes in these broad travel and tourism impact measures cannot be solely or directly attributed to VF's activities because many other public and private entities also engage in similar activities.

[40] *Standard DMO Performance Reporting: A Handbook for DMOs*, Destination Marketing Association International, May 2011.

Exhibit 2-2
According to VISIT FLORIDA, the Number of Out-of-State and International Visitors to Florida Has Steadily Increased

Measure	Calendar Year 2011	Calendar Year 2012	Calendar Year 2013
In-state travelers[1]	21.5 million	20.3 million	20.1 million
Out-of-state and international visitors	87.3 million	91.5 million	93.7 million

[1] The in-state traveler figures are counts of persons on a pleasure trip. Therefore, persons can be counted more than once based on the number of trips they have taken.

Source: OPPAGA analysis of VISIT FLORIDA data.

Other state government entities are also conducting tourism marketing. Although the funding and reach of these marketing efforts are much smaller than VF, some state agencies are also trying to attract out-of-state visitors as well as in-state travelers. For example, the Florida Sports Foundation assists Florida's communities with securing, hosting, and retaining amateur and professional sporting events; the foundation reported that sports and recreation activities and events support approximately 430,000 jobs for Floridians and attract more than 13 million visitors annually.[41] In addition, the Florida Department of State (DOS) is currently marketing the Florida Panhandle Ship Wreck Trail and Historic Golf Trail Florida. DOS does not track visitors for these destinations but reported that from November 2013 and November 2014, it distributed 18,000 Panhandle Shipwreck Trail rack cards and from June 2013 to November 2014, it distributed 11,000 Historic Golf Trail scorecards to visitors. DOS also reported that visitors to historic and cultural sites resulted in $2.55 billion in economic impact from August 2012 to August 2013. The Department of Environmental Protection (DEP) also works to attract tourists to state parks, trails, and greenways; DEP reported that in Fiscal Year 2013-14, Florida's state parks received 27.1 million visitors.

Local and national government entities also engage in significant marketing activities. Fifty-three offices, many of which are VF partners, conduct tourism marketing activities for local communities. The activities of these local entities often mirror or leverage the activities of VF, which include domestic and international marketing, advertising, and promotions. Local governments generally use local tourist development taxes to help support these tourism marketing efforts.[42] For example, Orange County received approximately $189 million in tourist development taxes for Fiscal Year 2013-14.[43] These funds were used to support Visit Orlando along with other tourism related activities; Visit Orlando engages in a range of activities that are similar to those of VF, including destination research, marketing via publications and online listings, managing the Orlando visitor center, and promoting the city as a site for tradeshows. Similarly, Hillsborough and Pinellas counties received $22.5 and $30.7 million in tourist development taxes, respectively. The Hillsborough County funds are used to support Visit Tampa Bay, which invests heavily in increasing tourism in the area, hiring consultants to conduct visitor research, and launching its own first-ever tourism brand with the Unlock Tampa Bay campaign.

According to local tourism entities, there is a parallel, not duplicative, relationship between their efforts and those of VF. For example, while one local tourism office reported that it markets in some of the same countries as VF (e.g., China, India, and Italy), officials emphasized that they specifically market the local community whereas VF markets the state as a whole. The differences that county offices perceive

[41] *Florida Sports Foundation Economic Impact Study,* Haas Center, 2014.

[42] For Fiscal Year 2014-15, Florida's local tourist development taxes are estimated to total $634 million.

[43] Florida counties operate according to the federal fiscal year—October 1 to September 30.

between their local operations and those of VF relate to funding and the scale of operations. Some local tourism offices reported that their tax revenues do not allow them to reach international visitors or northern states, while VF actively promotes the state in such markets. However, several local entities have budgets that rival VF's. For example, Visit Orlando's Fiscal Year 2014 budget was $64 million, and Osceola County's Tourism Development Council Budget was $67.9 million.

The U.S. tourism office, Brand USA, includes Florida in its marketing efforts. The organization's activities include foreign media spending, cooperative advertising, travel shows, and other promotions of U.S. destinations; its 2014 projected operating budget is $125 million. VF is a founding partner of Brand USA and participates in international cooperative advertising efforts. For example, Brand USA and VF are collaborating on a campaign called Shop Florida, which specifically targets Brazilian travelers. Florida is heavily represented in Brand USA efforts, as Visit Orlando, Universal Orlando, and other Florida entities also are Brand USA members.

The private sector also markets Florida destinations. Numerous private entities also promote the state and its attractions via tourism marketing activities. VF conducts generic marketing of the state and helps to specifically market certain businesses through website listings and promotions. Major attractions, such as Universal Orlando and SeaWorld Orlando, along with large hotel chains, purchase or develop their own marketing plans and are likely to do so in the same target markets as VF. For example, Universal Orlando's website offers vacation packages and onsite hotel promotions; Sea World Orlando uses television advertising and programming segments, licensed product sales, YouTube channels, and social media to attract visitors.

Improved Measures and Survey Research Are Needed to Accurately Assess VISIT FLORIDA's Performance

Efforts to assess VISIT FLORIDA's performance are hindered by performance measures that are not linked to meaningful standards with specific timeframes to achieve goals. Additional research conducted on behalf of VF by paid research firms, including return on investment studies and partner surveys, may help in marketing decisions but do not provide helpful performance information. Moreover, the organization's influencer study has significant methodological flaws.

VISIT FLORIDA's performance measures are not helpful in assessing organizational performance. VF's 2012-16 strategic plan contains performance measures and standards; two concerns exist regarding these measures. First, rather than improving or increasing performance, existing measures focus on maintaining the current level of performance. For example, VF plans to sustain, not improve, industry partner satisfaction and sustain, not increase, engagement of qualified business listings on VISITFLORIDA.com.

Second, measures included in the strategic plan were at levels that the organization had already exceeded.[44] For example, the plan includes VF's objective to increase its total annual budget to $125 million by June 30, 2016. However, for Fiscal Year 2012-13, the organization's total annual budget already exceeded that target, at $162.6 million.[45] Similarly, the strategic plan includes a specific objective to sustain engagement of the tourism industry with 10,000 or greater qualified business listings on VISITFLORIDA.com by June 30, 2016. However, as reported in the VF 2012-16 strategic plan, the organization exceeded this goal in Fiscal Year 2012-13, with 11,971 business listings on the website.

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[44] The VISIT FLORIDA executive committee and board of directors approved the 2012-2016 strategic plan that continued prior performance goals and added two new ones.

[45] These amounts include both the promotional and cooperative advertising value mentioned in Exhibit 2-1.

Survey data does not provide useful performance information. VF contracts with outside vendors for various surveys and uses such research to inform its marketing decisions. However, much of the survey research is not useful in assessing organizational performance because it is narrowly focused or is based on limited survey research.

For example, VF's advertising return on investment (ROI) studies assess the results of specific advertising campaigns and cannot be viewed as capturing the myriad of VF's activities and related oraganizational costs. VF's surveys for its ROI study count incremental trips attributed to a specific advertising campaign; the studies include a single advertising campaign over a few months and rely on an estimated number of incremental trips and spending. To determine ROI, the count of incremental trips is multiplied by average visitor spending then divided by the advertising campaign costs. For example, surveys of travelers conducted before and after the 2013 advertising campaign estimated 1,201,256 incremental trips attributable to the campaign, with an average spend of $2,606. The study calculated a $3.1 billion economic impact for the campaign; when divided by the $8 million cost of the campaign, the result is a $153 ROI in target markets, a $1,651 ROI for all markets east of the Mississippi River, and a combined $390 ROI for every $1 invested. While these results can be used to demonstrate a return on advertising spending for a single campaign, they do not adequately capture an overall return for VISIT FLORIDA.

Moreover, VF's other surveys, such as the partner satisfaction and welcome center guest surveys, provide limited information about performance. For example, VF's 2013 industry satisfaction survey was based on 271 validated partner surveys out of 1,158 paying partners; there are a total of 11,971 partners. Similarly, welcome center satisfaction surveys were distributed to visitors onsite, with respondents completing the survey online at a later date. For 2013, VF reported 2.45 million visitors to the state's welcome centers, while the Fiscal Year 2013-14 Welcome Center Study included 998 completed surveys.

VISIT FLORIDA's influencer study methodology raises several concerns. In an effort to assess its overall impact, VF contracts for an internet-based survey to assess the different factors that might have influenced an individual to visit the state.[46] Commonly referred to as the influencer study, the survey asks respondents to rate from 1 (low) to 5 (high) a list of 19 factors that influenced a recent trip to Florida. The factors include prior visits to Florida, friends and family in Florida, hobbies or pastimes, and use or receipt of VF resources (e.g., website, visitors guide, social media, etc.). The influencer study is conducted in March of each year and includes approximately 500 individuals who have visited Florida during the prior 12 months.

We identified several significant methodological issues regarding the influencer study; due to these concerns, it appears that survey results may distort the influence of VF on travel to Florida. First, the survey relies on a self-selected sample. The vendor maintains an online panel of participants that receive reward points for participating in a variety of surveys; recipients may choose to respond to the survey based on individual interest in the study. In addition, the vendor samples respondents for the survey between the ages of 25 and 64;VF considers this group the organization's target marketing demographic. However, Florida's visitors range in age from 18 to 65 and older; thus, the survey may miss a key portion of the state's visitors including spring breakers and senior citizens.

Second, the influencer study asks respondents to recall and distinguish advertising that they may have seen. Specifically, the survey asks respondents about whether a trip taken in the last 12 months was influenced by various advertising. Whether a visitor can actually recall and distinguish VF's advertising from theme park or other Florida advertising is questionable.

[46] VISIT FLORIDA officials reported that, in an effort to measure the organization's impact, they have contracted for this internet survey for seven years.

Third, in reporting the results of its impact, VF aggregates responses for all VF-specific activities, summing the number of unique respondents that assigned a rating of four or five to any or all VF activities. Our analysis of VF's data on these individual activities suggests that there is a relationship between the different VF activities, and as such, survey results may overstate the influence of individual activities on traveler behavior. That is, an individual that rated the VF website as a four or five is also more likely to highly rate other VF activities (e.g., remembering a VF advertisement or publications).

Finally, the influencer study consistently shows that the primary factor influencing visitors to come to Florida is a prior trip to Florida. Surveys conducted in 2012 and 2013 indicate that more than 95% of respondents had previously visited the state. The fact that prior travel influences current travel and that nearly all respondents had prior Florida travel raises additional questions about the validity of the influencer study.

Enhanced Coordination of State Tourism Efforts by VISIT FLORIDA Could Help Agencies Leverage State Funds and Avoid Duplicative Marketing Activities

The breadth of the state's tourism marketing activities appears to be expanding, with an increasing emphasis on historic and cultural tourism, eco-tourism, space tourism, agri-tourism, international, rural, and medical tourism. In response, tourism marketing efforts by various state entities appear to be increasing. Thus, the state could benefit from a coordinated approach to tourism marketing to ensure efficient use of resources.

VISIT FLORIDA and several state agencies currently coordinate on a project-by-project basis. Current coordination between state agencies and VF appears to be project specific, occurring at the direction of the Legislature or the executive branch.[47] The nature of the collaboration between VF and agencies varies from formal statutory requirements to ad hoc partnerships.

- Section 288.0658, *Florida Statutes*, requires the Florida Fish and Wildlife Conservation Commission (FWCC) to work with VF and entities such as local tourist development organizations and local economic development agencies on nature-based recreation. This collaboration involves several activities, including FWCC obtaining grants from VF to develop brochures and participating in VF promotional opportunities. FWCC also generates content for VF's website and brochures that highlights nature viewing, fishing, and trail opportunities.
- In 2012, the Governor designated the Department of State as the lead on the Viva Florida campaign, and the department approached VF for assistance. In addition to temporarily housing the campaign website, VF helped develop a campaign logo, a promotion (i.e., 500 Years of Adventure sweepstakes), events in 67 counties, and advertisements at the Florida Welcome Centers and on social media.
- The 2014 Legislature appropriated $5 million to VF to conduct marketing campaigns and grant programs related to medical tourism. VF officials reported on activities related to medical tourism including the creation of a medical tourism task force in September 2014 and creation of a medical tourism matching grant program. VF has contracted with an agency to assist in media planning and buying, website design, public service announcements, etc.
- As a result of a 2012 Florida Cabinet meeting discussion, the state's major land and water agencies—Department of Agriculture and Consumer Services, Department of Environmental Protection, and the water management districts—established a central web portal to promote tourism on state lands. The workgroup engaged with VF through 2014 to develop and host the new portal, Discover Florida Wild.

[47] VF officials noted that representatives from some state agencies (e.g. Department of State) participate as members on VF's various committees.

In general, these agencies reported that collaborating with VF gives their initiatives greater visibility. For example, FWCC staff noted that while the commission has the resources to conduct effective fishing marketing within state, it does not have the resources to market outside Florida. VF's nationwide efforts to promote fishing include a Fishing Capital of the World logo on a NASCAR race car, promotions on Midwestern radio stations, and marketing fishing tournaments or television shows featuring Florida. Similarly, DEP staff reported that the VF staff blogger for outdoor recreation disseminates state park information to a population far broader than the department could reach from its website.

A more formalized, ongoing system of collaboration between VF and other agencies that engage in tourism marketing could help enhance these benefits, allowing agencies to leverage their marketing funds and avoid potentially duplicative spending and staff time on marketing. In addition, enhanced coordination would allow other state agencies to access VF resources such as internet bloggers, existing websites, and in-kind marketing opportunities. This would provide the benefits associated with centralized expertise, including standardized messaging and increased information sharing between agency subject matter experts and VF marketing experts, as well as one-stop-shopping for potential visitors.

Other states present alternatives for how state agency tourism marketing activities can be coordinated. Texas and Nevada provide two models for greater coordination between state tourism entities and state agencies.[48] The Texas Legislature has mandated that the Governor's Office of Economic Development and Tourism coordinate a memorandum of understanding for five state entities conducting tourism marketing. These entities include the Governor's Office of Economic Development and Tourism, Texas Commission on the Arts, Texas Historical Commission, Texas Parks and Wildlife Department, and Texas Department of Transportation. The memorandum specifies each agency's tourism role, budget, goals, and measures. The governor's office leads planning and out-of-state marketing, and the other agencies are responsible for marketing issues and attractions particular to their expertise. The memorandum also requires the agencies to report on the costs, activities, and outcomes from individual agency and joint tourism efforts.

Nevada incorporated a number of government agency tourism efforts into a single agency in 2011. The state combined the Nevada Commission on Tourism (a board made up of local economic development stakeholders), the Nevada Arts Council, and the Division of Museums and History into the Department of Tourism and Cultural Affairs. Other Nevada state agencies that conduct some tourism promotion in the state, such as the Department of Wildlife, have industry stakeholder status, which means they conduct their own marketing but are encouraged to use the branding messages that the department develops.

Stakeholders Express Support for VISIT FLORIDA's Mission, Services, and Performance

VISIT FLORIDA board members expressed strong support for the organization's mission and believe that the organization's marketing efforts have had a major impact on the state's tourism industry, referencing increases in total visitors and tourism-related jobs as evidence of VF's strong performance and impact on the Florida economy. To obtain input from a broader range of VF stakeholders, OPPAGA surveyed the organization's free web listing partners and paying partners and conducted interviews with industry association representatives.[49]

[48] Tourism entities in Texas and Nevada are state agencies, not public-private partnerships like VISIT FLORIDA.

[49] OPPAGA sent the survey to 1,838 active partner representatives with valid email addresses; 441 (24%) provided partial responses and 364 (20%) provided complete responses. Respondents were from organizations across the state and included attractions, hotels, restaurants, associations, counties, and state agencies.

In general, partners in both categories believe that VISIT FLORIDA's efforts have some positive effect on their businesses. Overall, 71% responded that VF has a substantial impact on the tourism industry statewide. However, respondents' perceptions of VF's effect on individual businesses were lower; 42% perceived VF as having a moderate impact on their organization. In addition, partners generally thought that the value of VF's marketing was comparable to the value of external marketing services that they purchase. Specifically, 41% rated VF's marketing services as very valuable, while 48% rated other external marketing services as very valuable.

Paying partners expressed opinions about the availability of the organization's services. Respondents reported that service availability was very important for certain VF services including market research (50%), welcome center brochure placement (45%), and cooperative advertising opportunities (43%). Further, paying respondents reported that they use VF services several times a year, including market research (43%) and the website (34%). However, many paying partners reported that they do not frequently use VF services. These respondents reported never using several VF services, including the blog (53%), industry hotline (48%), welcome center options (34%), and cooperative advertising opportunities (37%).[50]

Stakeholder interviews generated few suggestions regarding ways VF could improve its services, as they were generally satisfied with VF's performance and benefits. However, some interviewees expressed a desire for VF to enhance some of its current activities and programs to provide greater support to smaller businesses. While the overall growth of the tourism industry has helped small businesses, many cannot participate in VF's cooperative advertising programs due to limited budgets. Stakeholders reported that small businesses would participate in VF marketing efforts if they were more affordable. Similarly, stakeholders from rural areas felt that the overall increase in visitors has yielded a positive economic impact for them as well, but most visitors are still drawn to major tourism destinations and popular beachfront cities. Although the VF grant program has helped market rural counties, stakeholders felt that more could be done to increase visitation to less-frequented areas of the state.

Florida's Tourism Industry Compares Favorably to Several Competing States

To determine how Florida's tourism industry compares to other states, OPPAGA assessed the state's tourism employment relative to other states with strong tourism industries—California, Nevada, New York, and Texas.[51] Among the five states, Florida's tourism industry supports the highest number of tourism jobs and is second to California in visitor spending. However, there are key differences in how total number of visitors is calculated in Florida compared to other states. Florida's total visitor count includes only out-of-state and international tourists. In contrast, California's total visitor number also includes in-state travelers. When comparing international visitor numbers, which are equivalent across states, Florida ranks second to New York among the major tourism states. (See Exhibit 2-3.)

[50] For all survey data in this report, OPPAGA presented the most frequently selected responses.

[51] We chose states that rank among the top five tourism states in the U.S. and, with the exception of Nevada, are similar in population to Florida.

Exhibit 2-3
Florida's Tourism Industry Supported More Tourism Jobs than Other States in 2013

State	Tourism Jobs	Visitor Spending[1]	Visitors[2]	International Visitors[3]
Florida	**1.1 million**	**$76.1 billion**	**93.7 million**	**7.2 million[4]**
California	965,800	$109.6 billion	227.2 million	6.4 million
Nevada	462,000	$59.4 billion	52.1 million	2.9 million
New York	818,700	$61.3 billion	218 million	9.8 million
Texas	601,000	$67.5 billion	233.5 million	1.5 million

[1] Figures for visitor spending must be considered in the context of varying state definitions of visitors.

[2] Because states measure visitor volume using different formulas, comparison across states is not recommended. For example, since more than 75% of California's travelers are in-state travelers, California uses person trips to assess visitor volume. If a family of three took a vacation, this would be one trip but three person trips.

[3] Overseas visitors are reported by the U.S. Department of Commerce's National Tourism and Travel Office and should be consistent across states. Figures do not include visitors from Canada and Mexico.

[4] Florida's international visitors are also captured in the state's total of 93.7 million visitors.

Source: OPPAGA analysis of state tourism indicators.

Location quotient results indicate that Florida's tourism industry is strong and growing. To examine industry-related job growth in these states, we analyzed tourism employment from 2003 to 2013. The analysis examined 17 industry codes used to define the tourism industry.[52]

- Accommodations
- Passenger car rental
- Performing arts companies
- Spectator sports
- Promoters of performing arts and sports
- Convention and trade show organizers
- Travel arrangement and reservation services
- Museums, historical sites, zoos and parks
- Amusements, gambling, and recreation
- Food services and drinking places
- Food and beverage stores
- Scheduled passenger air transportation
- Support activities for air transportation
- Taxi and limousine service
- Scenic and sightseeing transportation
- All other ground passenger transportation
- Gift, novelty, and souvenir stores

[52] The North American Industry Classification System (NAICS) is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

We compared Florida to other states using location quotients, which quantifies how concentrated a particular industry is in a region or state as compared to the nation. This approach provides an indicator of relative strength of a particular industry and is computed as the percentage of local employment in a particular industry divided by the percentage of national employment in that industry.

The analysis showed that Florida's tourism industry employment outpaced national and industry trends. Florida's location quotient exceeds 1.0, indicating that the state's level of industry employment exceeds the national level. In addition, comparison of 2003 and 2013 location quotient results shows that Florida's tourism industry outpaced national and industry employment trends. Florida has a relatively higher proportion of people employed in the tourism industry than California, New York, and Texas.[53] In addition, a positive change in location quotient from 2003 to 2013 indicates that the industry grew in Florida, outpacing growth in California, Nevada, New York, and Texas.[54] (See Exhibit 2-4.)

Exhibit 2-4
Florida's Tourism Industry Growth Outpaces Several Other States

State	Location Quotient 2013	Change in Location Quotient 2003 to 2013
Florida	**1.27**	**0.10**
California	1.00	0.02
Nevada	2.30	-0.13
New York	0.95	0.07
Texas	0.98	-0.03

Source: OPPAGA analysis of United States Bureau of Labor Statistics data.

Shift-share analysis results also indicate a strong industry. We also conducted a shift-share analysis of the tourism industry for the five states. Shift-share represents how much of the employment growth or decline in a state's industry was due to the national or state economy, the national or state-level trend within the particular industry, and the state's characteristics. Shift-share is composed of three components, with the change in employment from 2003 through 2013 equal to the sum of the components.

- *National (or State) Growth Share* is the change in employment due to the growth of the overall national or state economy. If the national or state economy is growing, then one may expect to see a positive change in each industry in the state.
- *Industry Mix Share* is the change in employment due to the growth (or decline) of the overall industry in the nation or state relative to the growth (or decline) of the overall national or state economy.
- *Regional Shift* is the change in employment due to the state's characteristics (also referred to as competitive share). It is the most important component. A positive regional shift indicates the state industry is outperforming the national or state trend. A negative effect indicates that the state industry is underperforming compared to the national or state trend.

[53] Although Florida's tourism industry supports more jobs than the other comparison states' tourism industries, Nevada has a higher concentration of people employed in the industry than Florida.

[54] Florida's 2013 location quotient is greater than three other states', and Florida has the greatest magnitude positive change in location quotient from 2003 through 2013.

The shift-share analysis indicates that 92,405 tourism industry jobs created in Florida from 2003 through 2013 are attributable to the state's relative competitive advantage rather than industry growth nationwide or general economic recovery trends. Moreover, Florida's competitive advantage in the tourism industry is greater than that of California and Nevada, but less than that of New York and Texas. (See Exhibit 2-5.)

Exhibit 2-5
Florida Has a Stronger Competitive Advantage in Tourism than California and Nevada but Is Weaker When Compared to New York and Texas

State	National Share	Industry Mix	Regional Shift	Change in Jobs (Shift-Share)
Florida	**61,099**	**72,696**	**92,405**	**226,200**
California	101,598	120,881	42,920	265,399
Nevada	19,270	22,927	-15,498	26,699
New York	49,876	59,342	106,560	215,778
Texas	64,350	76,563	160,497	301,410

Source: OPPAGA analysis of United States Bureau of Labor Statistics data.

Recommendations

Assessing VISIT FLORIDA's performance is challenging, due in part to the number of local governments, state agencies, and private entities that engage in similar tourism promotion activities. In addition, many of VF's performance measures lack meaningful standards and timeframes or rely on questionable research. To address these concerns, there are a number of recommendations that VF could consider. In addition, the Legislature could consider expanding VF's role to provide for greater coordination of state-level tourism efforts.

VISIT FLORIDA needs performance measures linked to meaningful standards with specific timeframes to assess performance. VF should review all of its performance measures and ensure that it establishes standards and timeframes that challenge the organization to improve performance rather than maintain targets that have already been achieved. For example, instead of sustaining the existing number of partners, the organization could strive to increase the overall number of partners or increase the number of partners that participate in specific activities (e.g., cooperative advertising campaigns and grants). The organization should also tie performance targets to specific timeframes, such as increasing by 5% the partners that participate in VF activities during the next fiscal year. Another current goal that has already been achieved is engagement of the Florida tourism industry as measured by exceeding the legislatively mandated 1:1 match of public investment to private industry investment by June 30, 2016. In Fiscal Year 2012-13, VF had already attained a 2:1 match. VF should consider revising this measure to set a meaningful goal to increase the amount of public-private investment by 5%, 10%, or 20% during the next fiscal year. VF officials reported that its Board of Directors will undertake a strategic planning process in 2015 in order to create a new strategic plan for 2015-20.

VISIT FLORIDA should improve the quality of the research studies that assess its influence in bringing visitors to Florida. Research attempting to assess VF's direct effect on visitors' decisions to visit the state is limited by significant methodological concerns. VF should consider alternative research designs, methods, and vendors that might provide a more reliable survey of VF's influence, including increased sample sizes and representative samples of visitors and industry partners. The revised research should include consideration of the fact that an overwhelming percentage of visitors to Florida have made prior trips to the state. In addition, VF should consider options to strengthen its ROI studies and the use of these results in assessing the organization's annual performance. VF officials reported that they have explored different models to assess the organization's performance but expressed concern about the complexity and the cost related to these alternatives. They are specifically considering a more extensive ROI study because they have been expanding their advertising campaigns. VF officials reported, "there has always been a challenge to best define and measure the influence of all the things that VISIT FLORIDA does and all the different ways we touch the consumer and the industry."

The Legislature could consider expanding VISIT FLORIDA's role in coordinating with the various state agencies that engage in tourism-related marketing activities. The Legislature could consider directing VF to designate one or more staff to coordinate with and provide subject matter expertise for state agency tourism marketing initiatives. Such liaisons could also help rural tourism marketing offices and small cultural organizations maximize limited resources. Greater coordination with VF may eliminate the need for state agencies to apply for assistance via VF grant programs, which would make more grant funds available for smaller tourism offices and attractions. VF officials expressed concern that if VF were to coordinate or implement tourism marketing efforts for other agencies, there is potential that it would distract VF resources away from its primary mission. Thus, these officials believe that agencies should continue to design and fund their own tourism activities, with VF providing marketing and promotional expertise and advice.

Appendix A

VISIT FLORIDA Grant Programs

VISIT FLORIDA (VF) is statutorily required to administer the Advertising Matching Grant Program and the Minority Convention Grant Program. VF has also established several other grant programs including the Airline Grant Program; the City-Wide Meetings and Conventions Grant Program; the Cultural Heritage, Rural, and Nature Grant Program; and the Small Business Grant Program. The purpose and funding amount varies by program, with grants ranging from $2,500 to $100,000. (See Exhibit A-1.)

Exhibit A-1
State Agencies, Local Governments, and Other Entities Receive VISIT FLORIDA Grants

Grant Program	Type of Support	Grant Amount
Advertising Matching Grant[1]	▪ Awarded to local governments and non-profits for tourism advertising efforts ▪ Grants must be matched by non-state dollars	Up to $2,500
Airline Grant	▪ Cooperative marketing grants to increase international air travel to Florida ▪ Awarded in partnership with a sponsoring DMO and airport ▪ Only new scheduled flights and charter flights are eligible ▪ Flights must operate at least one day per week for six months and have 100 seats per flight	Up to $250,000
Minority Convention Grant[2]	▪ Intended to attract new national minority conferences to Florida; grants may not be used to subsidize existing events ▪ Funds must be used for advertising the event	Up to $40,000
City-Wide Meetings and Conventions Grant	▪ Matching grant program intended to stimulate the economy by attracting new major conventions to Florida ▪ Must be a new event, utilize at least 50,000 square feet of meeting space, and attract a minimum of 1,000 hotel room nights ▪ Grants must be used for advertising the event	Up to $100,000
Cultural Heritage, Rural and Nature Grants	▪ Intended to promote cultural heritage and rural nature tourism in Florida ▪ Grants must be matched by non-state dollars from the recipient	Up to $5,000
Small Business Grant Program	▪ Assists Florida small businesses with marketing their goods and services ▪ Applicants must be current VF Small Business Partners, have a gross income of less than $1.25 million per year, or be a 501(c)(3) organization ▪ Recipients must provide a dollar-for-dollar match and use the grant for advertising purposes	Up to $5,000

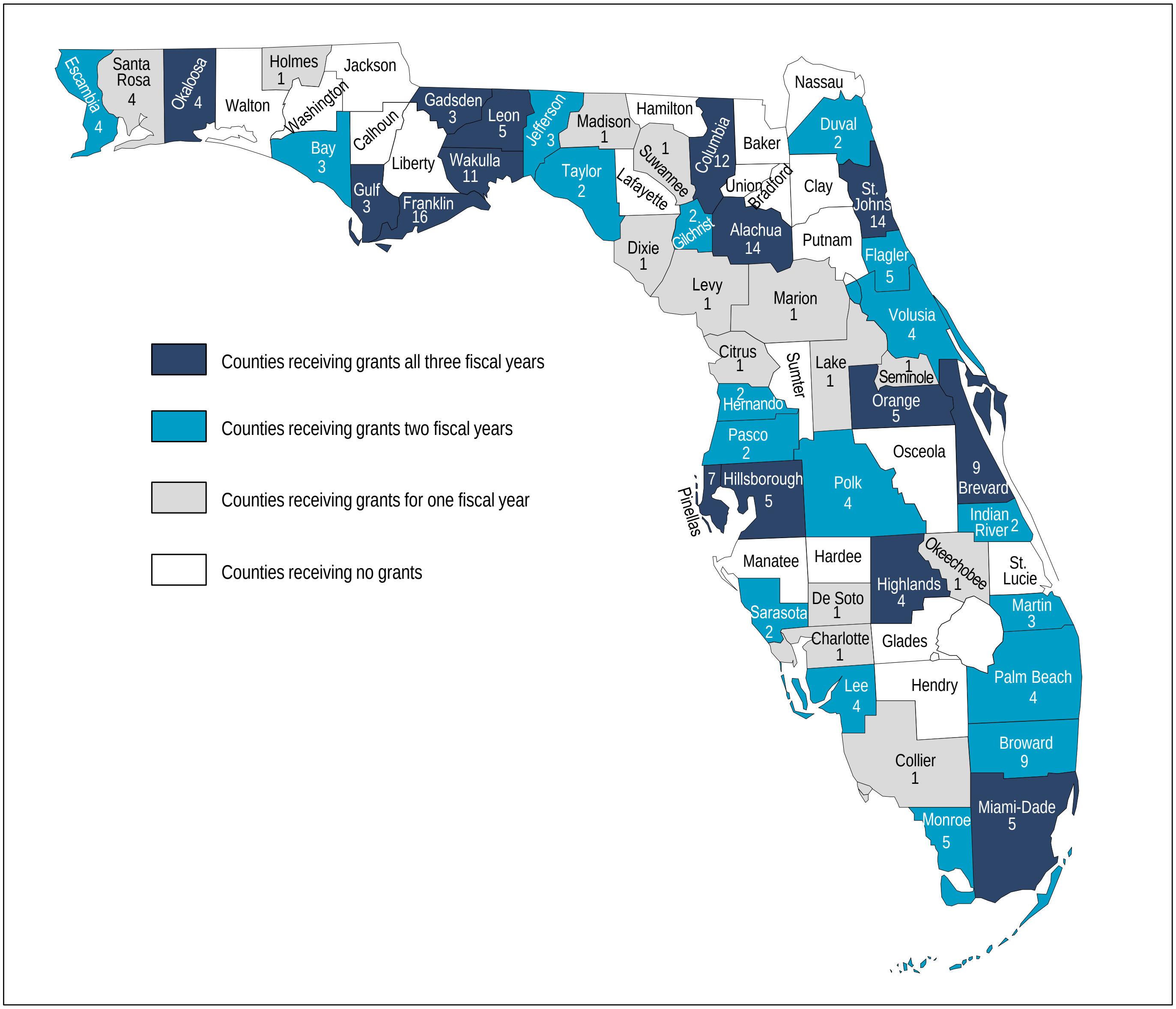
[1] Section 288.017, *F.S.* The statute specifies a maximum $40,000 annual funding limit.

[2] Section 288.124, *F.S.* The statute specifies a maximum $40,000 annual funding limit.

Source: VISIT FLORIDA.

During Fiscal Years 2010-11 through 2012-13, VF awarded 196 grants for a total of $1.07 million. Grants awarded during this period went to both rural counties and those already known as major tourist destinations. Some counties received grants each fiscal year. (See Exhibit A-2.) When awarding grants, VF verifies the grant recipient's actual expenditures following the event or advertising effort and reimburses based on documentation provided by the grantee. VF does not track the effectiveness of subsequent advertising or events funded by grants.

Exhibit A-2
VISIT FLORIDA Grants Were Awarded Across 47 Counties During Fiscal Years 2010-11 Through 2012-13; Some Counties Received Grants Each Year



Source: OPPAGA analysis of VISIT FLORIDA data.

Chapter 3

Florida Sports Foundation and Professional Sports Facility Funding

Scope

By January 1, 2015, and every three years thereafter, the Office of Program Policy and Government Accountability (OPPAGA) and the Office Of Economic and Demographic Research (EDR) must review the Florida Sports Foundation and related programs established under *Florida Statutes*, including funding for the

- renovation or construction of major professional sports facilities;[55]
- renovation or construction of Major League Baseball spring training facilities;[56]
- construction or renovation of motorsports entertainment complexes;[57]
- Professional Golf Hall of Fame;[58] and
- International Game Fish Association World Center.[59]

In addition, OPPAGA must review professional sports facility compliance with statutory requirements that facilities (1) be made available as homeless shelters and (2) provide food and concession business opportunities for minority businesses.[60, 61] The review period covers Fiscal Years 2010-11, 2011-12, and 2012-13.

Background

The sports industry in Florida is an estimated $44.4 billion industry, accounting for approximately 3.5% of the state's gross state product. Sports and recreation activities and events support approximately 420,000 jobs for Floridians and attract more than 13.3 million visitors annually.[62] Nearly 80% of this economic activity is accounted for by four industry sectors: golf (35%); fishing, hunting, and wildlife viewing (23%); amateur sports (11%); and parks and recreation (11%). College and professional sports account for 10% of the industry-related economic activity.

Florida is home to nine major professional sports franchises in four national sports leagues: Major League Baseball (MLB), the National Basketball Association (NBA), the National Football League (NFL), and the National Hockey League (NHL). Florida is also home to the Grapefruit League, which consists of

[55] Section 288.1162, *F.S.*

[56] Section 288.11621, *F.S.*

[57] Section 288.1171, *F.S.*

[58] Section 288.1168, *F.S.*

[59] Section 288.1169, *F.S.*

[60] Section 288.1166, *F.S.*

[61] Section 288.1167, *F.S.*

[62] Haas Center, *Economic Impact Study*, 2014.

15 MLB teams that conduct their annual spring training in Florida.[63] Moreover, the state hosts the International Game Fish Association World Center and the World Golf Hall of Fame. Florida also has 12 state universities and 27 local and regional sports commissions that host various amateur events.[64]

Employment that supports sports activities and events is an important indicator of the economic benefits generated by Florida's sports industry. To determine how Florida compares to other states with regard to sports-related jobs, OPPAGA assessed the state's position in employment relative to other states with sports industries. Comparison states included Arizona, California, New York, and Texas.[65] Our analysis of sports industry employment examined the following industries.[66]

- Sports teams and clubs
- Other spectator sports
- Golf courses and country clubs
- Scenic and sightseeing transportation on water
- Recreational and vacation camps
- Fitness and recreational sports centers
- All other amusement and recreation industries
- Sporting and athletic goods manufacturing
- Sporting goods merchant wholesalers
- Sporting goods stores
- Recreational goods rental
- Sports and recreation instruction

Our analysis showed that Florida's sports industry employment outpaced national and industry trends. We compared Florida to other states using location quotients, which is a way of quantifying how concentrated a particular industry is in a region or state as compared to the nation. This approach provides an indicator of relative strength of a particular industry and is computed as the percent of local employment in a particular industry divided by the percent of national employment in that industry.

Location quotient results indicate that Florida's sports industry is strong and growing. Location quotients exceeding 1.0 indicate that Florida's level of employment in the industry exceeds the national level of employment in the industry. In addition, a positive change in location quotient from 2003 through 2013 indicates that the industry grew in Florida, and during the period, outpaced growth in Arizona, California, New York, and Texas.[67] (See Exhibit 3-1.)

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[63] The Grapefruit League and Arizona's Cactus League comprise the two Major League Baseball spring training leagues in the country.

[64] The sports commissions are local sports tourism entities representing municipalities or regions of the state, and some are associated with local government tourism offices.

[65] We chose Arizona because, like Florida, the state has Major League Baseball spring training facilities. We chose the three remaining states because of the variety and extent of college and professional sports teams in these states.

[66] The North American Industry Classification System is the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

[67] Florida's 2013 location quotient is greater than the other states', and Florida has the greatest magnitude positive change in location quotient from 2003 through 2013.

Exhibit 3-1
Florida's Sports Industry Growth Outpaces Several Other States

State	Location Quotient 2013	Change in Location Quotient 2003 Through 2013
Florida	**1.32**	**0.13**
Arizona	1.15	-0.01
California	1.02	-0.05
New York	0.97	0.03
Texas	0.76	-0.03

Source: OPPAGA analysis of United States Bureau of Labor Statistics data.

Shift share analysis results also indicate a strong industry. We also conducted a shift-share analysis of the sports industry for Florida and the four comparison states. Shift-share represents how much of the employment growth or decline in a state's industry was due to the national or state economy, the national or state level trend within the particular industry, and the state's characteristics. Shift-share is composed of the three components, with the change in employment from 2003 through 2013 equal to the sum of the components.

- *National (or State) Growth Share* is the change in employment due to the growth of the overall national or state economy. If the national or state economy is growing, then one may expect to see a positive change in each industry in the state.
- *Industry Mix Share* is the change in employment due to the growth (or decline) of the overall industry in the nation or state relative to the growth (or decline) of the overall national or state economy.
- *Regional Shift* is the change in employment due to the state's characteristics (also referred to as competitive share). It is the most important component. A positive regional shift indicates the state industry is outperforming the national or state trend. A negative effect indicates that the state industry is underperforming compared to the national or state trend.

Our shift share analysis indicates that 11,225 sports industry jobs in Florida were attributable to Florida's relative competitive advantage. Moreover, Florida's competitive advantage in the sports industry is greater than that of Arizona, California, New York, and Texas. (See Exhibit 3-2.)

Exhibit 3-2
Florida's Sports Industry Has a Competitive Advantage Over Several Other States

State	National Share	Industry Mix	Regional Shift	Change in Jobs (Shift Share)
Florida	**5,116**	**10,201**	**11,225**	**26,542**
Arizona	1,579	3,149	1,306	6,035
California	9,634	19,211	-10,767	18,078
New York	4,571	9,116	5,284	18,972
Texas	4,323	8,620	10,143	23,085

Source: OPPAGA analysis of United States Bureau of Labor Statistics data.

Florida Sports Foundation

Recognizing the value of a vibrant amateur and professional sports industry, the 1989 Legislature created the Florida Sports Foundation, Inc. The foundation is a 501(C)(3) non-profit corporation serving as the Sports Industry Development Division of Enterprise Florida, Inc.[68] The purpose of the foundation is to

- assist Florida's communities with securing, hosting, and retaining sporting events and sports-related business to generate economic impacts and sports tourism through the foundation's grant programs, legislative initiatives, and industry partnerships;
- provide Floridians with participation opportunities in Florida's Sunshine State Games and Florida Senior Games events;
- serve as Florida's designated resource for sports tourism research;
- assist in the promotion of targeted leisure sports industries in Florida; and
- assist national and Florida state governing bodies to promote amateur sport development through Florida's Sunshine State Games and hosting events in Florida.

The foundation has a board of directors that is appointed by Enterprise Florida, Inc. The board's role is to share sports industry expertise and give input that will assist in the growth and success of the foundation's mission. In addition to a five-member executive committee, there are currently 17 board members who represent professional sports, fishing, golf, auto racing, and recreational sports industries. The board's president manages the administrative and day-to-day operations of the foundation.

The Legislature has enacted several changes to the foundation since its inception in 1989. Following the abolishment of the Department of Commerce in 1996, the foundation was transferred to the Executive Office of the Governor, where it operated as a not-for-profit organization. Most recently, the 2011 Legislature merged the foundation into Enterprise Florida, Inc., as its sports marketing division.[69]

Activities

The primary activities of the Florida Sports Foundation consist of providing grants to local and regional sports commissions to assist them in conducting professional, college, and amateur sports events and sponsoring the Florida Senior Games and the Sunshine State Games. The foundation also assisted in screening and certifying applicants for state funding of major professional sports facilities, Major League Baseball spring training facilities, the World Golf Hall of Fame, and the International Game Fish Association World Center. Additionally, the foundation provides technical assistance to sports organizations (e.g., professional sports franchises and local and regional sports commissions) and markets the industry in Florida.[70]

Grants. The foundation's Major Grant, Regional Grant, and Small Market Grant Programs assist communities and host organizations in attracting sports events, with the intent that these events will have significant economic impact generated by out-of-state visitors. Events that are considered for grant funding include amateur or professional sports or other types of athletic events approved by the foundation board. Events must meet several criteria to be considered for funding.

[68] Enterprise Florida, Inc. is a public-private partnership created by the Legislature to serve as the state's principal economic development organization.

[69] Chapter 2011-142, *Laws of Florida*.

[70] The foundation also collaborates with the Department of Agriculture and Consumer Services to promote nutritious breakfasts and lunch in summer food programs and works with the Florida Department of Education to reward program excellence in physical education in Florida.

- **Major Grants** must be for events that generate at least $5,000,000 of economic impact and at least 4,000 out-of-state room nights.
- **Regional Grants** must be for events that generate at least $1,000,000 of economic impact and at least 1,200 out-of state room nights.
- **Small Market Grants** assist events that normally do not exceed $500,000 in out-of-state economic impact by offering a grant award not to exceed $5,000.

The state's local and regional sports commissions and assigned host committees are the only entities eligible to submit grant applications. Foundation staff creates a summary of each application and provides this and the application to a five-member grant committee appointed by the board. The grant committee meets quarterly to review each application and recommend an award amount based on the applicant's projected out-of-state economic impact and out-of-state visitors. The board then reviews the committee's recommendations and approves or adjusts award amounts at the quarterly board meeting, subject to the foundation's annual budget.

When awarding grants, the foundation emphasizes out-of-state visitor economic impact, community support, and return on investment to the state. In addition, applicants must provide a justification for the grant award. Local and regional sports commission officials are required to submit data on hotel room night activity related to a grant funded event and event participation to meet post-event economic impact requirements. Awarded grants are only paid by the foundation if the applicant meets at least 80% of the projected economic impact of the event.

During Fiscal Years 2010-11 through 2012-13, the foundation awarded $2,799,500 in grants for 160 events. During this time, five commissions received over half (55.6%) of the major and regional grants awarded: Broward County Convention Center Sports Development (30 grants); Central Florida Sports Commission (21 grants); St. Petersburg/Clearwater Sports Commission (16 grants); Miami-Dade Sports Commission (13 grants); and Tampa Bay Sports Commission (12 grants). The Central Florida Sports Commission received the most total grant funds during this period, with $573,000. (See Exhibit 3-3.)

Exhibit 3-3
During Fiscal Years 2010-11 Through 2012-13, Amateur Events Were Awarded $2.8 Million in Florida Sports Foundation Grants[1]

Sports Commission	Number of Grants: Fiscal Year 2010-11	Number of Grants: Fiscal Year 2011-12	Number of Grants: Fiscal Year 2012-13	Total Grants	Total Dollars Awarded
Broward County Convention Center Sports Development	7	10	13	30	$292,000
Central Florida Sports Commission[2]	7	7	7	21	573,000
St. Petersburg/Clearwater Sports Commission	7	5	4	16	117,000
Miami-Dade Sports Commission	4	4	5	13	275,000
Tampa Bay Sports Commission	4	4	4	12	330,000
Space Coast Sports Promotions	4	2	3	9	54,000
Bradenton Area Sports Commission	7		2	9	22,000
Polk County Sports Marketing	1	5	2	8	70,500
Palm Beach County Sports Commission	1	3	3	7	99,500
Lee County Sports Authority	4	1	1	6	110,000
Sarasota Sports Commission[2]	1	2	3	6	35,500
Treasure Coast Sports Commission	1	2	1	4	30,000
Panama City Beach Convention and Visitors Bureau	1	1	1	3	112,000
Ocala/Marion County Visitors and Convention Bureau	1	2		3	93,000
Jacksonville Economic Development Commission Sports and Entertainment Commission	1	1		2	24,000
Florida Gulf Coast Sports Commission[3]	1	1		2	16,000
Tallahassee Sports Council	2			2	13,000
Sports Council of Collier County	2			2	10,500
Gainesville Sports Commission		1	1	2	7,500
Orange Bowl Committee	1			1	500,000
Charlotte Harbor Visitor and Convention Bureau	1			1	10,000
Pensacola Sports Association	1			1	5,000
Total				**160**	**$2,799,500**

[1] This exhibit counts grants awarded during each fiscal year, not grant-funded events occurring each fiscal year. In addition, due to lack of information on geographical distribution, the exhibit does not include Small Market grants totaling $121,792 for the three-year period.

[2] Includes grants to several local entities, including the visitor bureau, county commission, city, and sports franchise.

[3] Includes (but does not double count) a grant for a cooperative event with Sarasota County Sports Commission.

Source: OPPAGA analysis of Florida Sports Foundation data.

Sunshine State Games. The foundation administers the annual Sunshine State Games, an Olympic-style sports festival that is intended to provide quality competition for Florida's amateur athletes. Most Sunshine State Games competitions are sanctioned or recognized by the Olympic governing body for that sport, and some serve as governing body state championships or state qualifiers. More than 30 different sports are offered annually, and a different community hosts the games each year.

Florida Senior Games. The Senior Games provide athletes over the age of 50 with the opportunity to compete in multiple-sport festivals at the local, state, and national levels. The foundation supports annual local games, which serve as the qualifier for the state championships. The state championships attract more than 2,000 competitors annually, serve as the qualifier for the National Senior Games every non-Olympic year, and a different community hosts them each year. The foundation's services to host communities include providing a sanctioning process, marketing assistance, promotional materials, a statewide marketing initiative, consistent rules and competition format, educational/networking opportunities, and general support.

Funding

The Florida Sports Foundation receives its funding from three sources: specialty license plate programs, general revenue, and individual contributions. The foundation's primary source of revenue is the sale of specialty license tags for nine Florida professional sports teams, the U.S. Olympic Committee, NASCAR, and the U.S. Tennis Association. At least $2.50 of each specialty license tag sale and as much as 15% of a specialty license tag sale goes back to the foundation for its programs. The balance of the sale goes to charitable organizations designated by the individual teams. The foundation generally keeps 80% of the revenue generated by tags, and the professional sports franchises keep 20%.

In Fiscal Years 2010-11 through 2012-13, the foundation's annual revenues were relatively stable, with $200,000 in general revenue and about $2.4 million in license tag revenue each year. Revenues varied slightly in Fiscal Year 2011-12, due to an increase in private cash contributions. (See Exhibit 3-4.)

Exhibit 3-4
Florida Sports Foundation Revenues Were Over $3 Million Each Year from Fiscal Years 2010-11 Through 2012-13

Revenues	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Professional Sports Teams Tags	$2,345,567	$2,361,262	$2,445,721
Private Contributions/ Other Income	559,355	873,683	582,031
General Revenue	200,000	200,000	200,000
NASCAR Tag	80,338	80,534	78,958
USTA Tag	52,903	59,762	65,297
U.S. Olympic Committee Tag	54,609	50,522	37,420
Total Revenues	**$3,292,772**	**$3,625,763**	**$3,409,427**

Note: The foundation reports that they receive additional income from state agency co-sponsors (e.g., through their collaboration with the Department of Agriculture and Consumer Affairs) and some entry fees to events.

Source: OPPAGA analysis of Florida Sports Foundation data.

The foundation's expenditures are primarily for grant awards, which vary depending on the number of events and estimated economic impact of these events. For example, in years that the foundation has been able to assist localities wishing to bid on large sporting events (e.g., a Super Bowl or NCAA championship), grant expenditures are higher. Foundation officials reported that they try to maintain $1 million in reserves to allow them to fund as many grants as possible. (See Exhibit 3-5.)

Exhibit 3-5
In Fiscal Years 2010-11 Through 2012-13, Florida Sports Foundation Expenditures Fluctuated Between $2.5 Million and $3.7 Million Each Year

Florida Sports Foundation Expenditures	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13
Florida Sports Foundation Grants Programs	$1,103,292	$1,292,500	$525,500
Administrative Costs[1]	1,302,348	1,540,686	1,065,396
Amateur Sports Programs[2]	364,453	425,312	392,868
Florida Sports Foundation, Other Programs[3]	520,462	463,408	535,117
Total Expenditures	**$3,290,555**	**$3,721,906**	**$2,518,881**

[1] Administrative costs include management, employee expenses and professional fees; operating, general and administration; advertising and marketing; and travel.

[2] Amateur sports programs include the Sunshine State Games, the Senior Games, Ambassadors for Aging Day, and other programs involving Amateur Sports Program Development.

[3] Other programs include an impact study, Grapefruit League administration, the golf and fishing/boating industry promotion program, special events, conferences and conventions, NASCAR tag expenses, tennis tag expenses, pro sports teams royalties, and pro sports teams charities.

Source: OPPAGA analysis of Florida Sports Foundation data.

Florida Professional Sports Facilities

State law provides procedures by which professional sports franchises in Florida may be certified to receive state funding to pay for the acquisition, construction, reconstruction, or renovation of a facility for a new or retained professional sports franchise.[71] Local governments, non-profit, and for-profit entities may apply to the program. The Department of Economic Opportunity (DEO) is responsible for screening and certifying applicants for state funding.[72] An applicant qualifying as a new professional sports franchise must be a professional sports franchise that was not based in Florida prior to April 1, 1987. Applicants qualifying as retained professional sports franchises must have had a league-authorized location in the state on or before December 31, 1976, and be continuously located at the location. Since 1994, state funding has been allocated for the construction or renovation of 8 professional sports facilities, 10 spring training facilities, and 2 other sports facilities.[73]

Activities

A professional sports franchise interested in seeking state funding for construction or renovation of a sports facility must enter into an agreement with a unit of local government, which serves as the applicant for state funding. Prior to DEO administering the program, local governments submited application materials to the Department of Commerce or to the Office of Tourism, Trade and Econmoic Development, and the Florida Sports Foundation worked with these agencies to screen and certify applicants. The foundation would review application materials for compliance with statutory requirements and make recommendations regarding applicants. These administering agencies formed a workgroup for secondary review to verify that information provided by an applicant was correct; the

[71] Section 288.1162, *F.S.*

[72] Prior to DEO, the Department of Commerce and the Office of Tourism, Trade and Econmoic Development (OTTED) administered the program. OTTED was a predecessor agency of the Department of Economic Opportunity. When DEO was created in 2011, the office's functions were transferred to the department.

[73] Each professional sports franchise facility may only be certified once.

workgroup consisted of agency staff, one foundation staff member, and one Department of Revenue (DOR) representative.[74] The group was responsible for making a final funding recommendation. If the funding request was approved, DOR was notified to begin payments. Until recently, there could be no more than eight certified professional sports franchise facilities. The 2014 Legislature revised the law so that there is no longer a limit to the number of professional sports franchise facilities DEO can certify, but the department may not distribute more than $7 million in Fiscal Year 2014-15 and $13 million annually thereafter to certified applicants.[75] (See Appendix A for additional information about certification requirements.)

Once certified, professional sports facilities must fulfill a number of statutory requirements. For example, facilities supported with state funds are subject to requirements related to homeless shelters and concessions. Section 288.1166, *Florida Statutes*, requires any professional sports facility constructed using state funds to be designated as a shelter site for the homeless in accordance with the criteria of locally existing homeless shelter programs, except when the facility is otherwise contractually obligated for a specific event or activity. Of the professional sports and spring training facilities that OPPAGA contacted, eight reported either that there is an arrangement in place with the city or county or that the local government is entirely responsible for compliance. Two facilities reported being part of a local emergency management plan or cooperative agreement with local service providers like the Salvation Army, and two reported that no agreements are in place. Though requested, most facilities did not provide documentation of such agreements.

Similarly, s. 288.1167, *Florida Statutes*, requires any applicant who receives funding pursuant to the provisions of s. 212.20, *Florida Statutes*, to demonstrate that a certain percentage of food and beverage and related concessions contracts be awarded to minority business enterprises. Franchises reported a variety of approaches to meeting this requirement. Six reported that they have contracts or other agreements with companies that provide opportunities for hiring minorities, while five stated that they do not subcontract these services or that the local government manages these services. One reported participating in a local women/minority business enterprise program. Though requested, most facilities did not provide documentation of such agreements.

Funding

State funding for professional sports facility construction or renovation is distributed to local governments by the Department of Revenue according to statutorily-established schedules; local governments use the funds to make bond payments. For example, for a period of up to 30 years, DOR distributes $166,667 monthly ($2,000,004 annually) to applicants certified as new or retained professional sports franchises.[76] (See Exhibit 3-6.)

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[74] DOR disburses payments to recipients of state funding for professional sports facilities.

[75] Chapter 2014-167, *Laws of Florida*.

[76] Section 212.20(6)(d)6.b., *F.S.*

Exhibit 3-6
The State of Florida Establishes Payment Schedules for Professional Sports Facilities

Professional Sports Entity (Number of Facilities)	Monthly Distribution per Facility	Annual Distribution per Facility	Maximum Number of Years for Distribution
Professional Sports Franchises (8)	$166,667	$2,000,004	30
World Golf Hall of Fame (1)	$166,667	$2,000,004	25
International Game Fish Association World Center (1)	$83,333	$999,996	14
Major League Baseball Spring Training Franchises (10)	$41,667	$500,004	30

Source: OPPAGA analysis of ss. 212.20(6)(d)6.b., 212.20(6)(d)6.c., and 212.20(6)(d)6.d., *F.S.*

As of June 30, 2013, cumulative payments for professional sports facilities totaled approximately $344 million. (See Exhibit 3-7.) Remaining debt service to satisfy all current state funding obligations for these facilities is approximately $300 million. In some instances, the lease expires prior to the final bond payment. For example, the Toronto Blue Jays spring training facility lease expires in 2016, while the final bond payment is scheduled for 2023. Thus, a facility receiving state assistance may be vacant and still responsible for bond repayment. However, the 2014 Legislature resolved this issue by making the terms of bond payments and leases equal in length. (See Appendix B for additional information about facility payments.)

Exhibit 3-7
Payments to Professional Sports Franchises Have Remained Constant; Yearly Payment Amounts Vary Across Sports

Facility Type	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Total Paid Through Fiscal Year 2012-13
Professional Sports	$16,000,032	$16,000,032	$16,000,032	$258,000,516
Spring Training Facilities	4,230,522	4,230,522	4,230,522	41,593,407
World Golf Foundation	2,000,004	2,000,004	2,000,004	30,000,060
International Game Fish Association	999,996	999,996	999,996	14,333,276
Total	**$23,230,554**	**$23,230,554**	**$23,230,554**	**$343,927,259**

Source: OPPAGA analysis of Florida Department of Revenue data

Professional Sports Franchise Facilities. OPPAGA contacted the eight professional sports franchises in Florida that receive state payments to learn about their facility management and operations.[77, 78] Six franchises reported that their facilities are located on land owned by local governments. Two franchises reported that they manage their own maintenance, operations, and utilities; three reported that their facilities are managed entirely by the local government. Capital improvements are managed either by the local government or through an agreement between the franchise and the local government.

Three franchises have revenue sharing arrangements with the local government. The most frequently reported type of revenue sharing is for ticket sales, followed by event parking and concessions. Five

[77] OPPAGA contacted eight professional sports franchises and received information from seven franchises.

[78] The South Florida Stadium Corporation receives state payments for renovations that were made to Joe Robbie Stadium (now known as Sun Life Stadium) to adapt it to serve as a baseball facility in 1991. The Florida Marlins entered an agreement with the stadium to serve as the Major League Baseball team that would play in the renovated stadium and played in the stadium from 1993 until 2011. The stadium does not currently host a Major League Baseball team.

franchises reported collaborating with local schools and/or sports organizations with varying degrees of frequency, ranging from once a year to more than 12 times a year. Collaboration examples include volunteer programs, health/vision screenings, internships, fundraising programs, college nights, and promotion and marketing activities.

Until recently, there have been no reporting requirements for certified professional sports facilities. However, the 2014 Legislature introduced reporting requirements for newly certified facilities. Specifically, certified entities are now required to submit reports annually and every five years.

Major League Baseball Spring Training Facilities. Florida and Arizona are home to the Grapefruit League and Cactus League, respectively, the only two spring training leagues in the U.S. Most of the teams that participate in the Cactus League are located west of the Mississippi, while most of the teams in the Grapefruit League are located east of the Mississippi. Florida's 15 spring training facilities are located across central and southern Florida.

OPPAGA contacted the 10 Florida-based spring training franchises that receive state funds to learn about their facility management and operations.[79] Five facilities reported that they are located on land owned by local government, and one facility is privately owned.[80] Similar to the professional sports franchises, Florida's spring training facility managers reported various arrangements with local governments for facility operations and maintenance. One facility manager reported that they manage their own maintenance, operations, and utilities; two have a shared arrangement with the local government; and two are managed entirely by the local government. Three facility managers reported some sort of revenue sharing agreement with local government, with the most frequently cited being ticket sales and parking. Five spring training franchises reported collaboration activities with local schools. Examples include an elementary school reading program, education days for elementary school classes, fundraising activities, and youth baseball events.

Florida MLB spring training facilities that have received state funding are required to submit annual reports to DEO. Reporting requirements include providing a copy of the most recent annual audit; a detailed report of all local and state funds expended to date; a cost-benefit analysis of the team's impact on the community, including attendance; and evidence that the certified applicant continues to meet certification criteria.[81]

Professional Golf Hall of Fame Facility. The World Golf Hall of Fame is a 501(c)(3) nonprofit institution located in St. Augustine, Florida. The hall of fame's mission is to preserve the history of the game of golf and the legacies of its players. OTTED certified the facility as the professional golf hall of fame facility in 1998, and it is the only professional golf hall of fame in the U.S. recognized by the Professional Golfers' Association Tour, Inc. (PGA). In addition to serving as a golf museum, the facility provides educational programs for local K-12 schools and has a collaborative relationship with several universities in northeast Florida. The hall of fame also works closely with St. Johns County on various community events, including golf festivals and farmers markets. The World Golf Hall of Fame is located on privately-owned land and the facility is privately owned and managed.

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[79] OPPAGA contacted 10 spring training franchises and received information from 6 franchises.

[80] Historic Dodgertown is the only privately-owned spring training facility. The team that originally occupied the facility, now the Los Angeles Dodgers, moved their spring training facility to Arizona in 2008. There is not currently a Major League Baseball team based at the facility, but Historic Dodgertown facility representatives report that they host many different local sports events that bring in approximately 140 different amateur, high school, collegiate, and international sports teams annually.

[81] Section 24, Chapter 2013-42, *Laws of Florida*, deleted the requirement that applicants submit a copy of the most recent annual audit.

Every 10 years, the World Golf Hall of Fame must be recertified by demonstrating that it is open, continues to be the only professional golf hall of fame in the country recognized by the PGA, and is meeting at least one of the minimum projections established at the time of original certification: 300,000 annual visitors or $2 million in annual sales tax revenue. The facility submitted its first 10-year recertification application in 2009 and reported that annual attendance from 1998 through 2009 had varied between 230,000 and 290,000 visitors, and the facility did not exceed the $2 million sales tax revenue threshold until 2005. Because the facility did not meet the statutory requirements for recertification in 2009, OTTED required the PGA Tour, Inc., to increase its required annual advertising contribution from $2 million to $2.5 million in lieu of a reduction in state funds. The additional $500,000 in advertising was to be allocated for generic Florida advertising as determined by the department.

For Fiscal Years 2010-11 through 2012-13, the facility reported an average annual value of over $7.6 million in total marketing and advertising efforts and an average annual value of generic Florida advertising of over $3.1 million.[82] While DEO is provided with copies of the print and television advertisements, it does not verify invoices for the facility's reported spending on advertising and marketing activities. Therefore, we were unable to confirm these expenditures.

International Game Fish Association World Center Facility. The International Game Fish Association (IGFA) is a not-for-profit organization founded in 1939 that focuses on the conservation of game fish and the promotion of responsible and ethical angling practices. The association is housed at the IGFA Museum and Hall of Fame in Dania Beach, Florida. The facility was certified by the state as the IGFA World Center facility in February 2000. It is the only international and administrative headquarters, fishing museum, and hall of fame in the U.S. recognized by the IGFA. The facility conducts many educational activities, including hosting field trips, camps, schools and seminars for K-12 schools in the region; partnering with universities on research projects; and hosting a library and historical repository of thousands of books, films, and photographs related to fishing. The IGFA also collaborates regularly with the local county visitor bureau for local fishing events and trade shows. The IGFA is located on privately-owned land and is privately owned and managed.

The state made its final payment to the IGFA World Center in February 2014. During the period that the facility was receiving state funds, it was statutorily required to provide $500,000 annually in national and international media promotion; failure to provide this annual advertising amount was to result in termination of facility funding.[83] In the original certification application, the IGFA World Center provided an agreement with a private sector entity that committed to providing $500,000 annually in national and international media promotion. No specific state agency was identified to verify this requirement, and annual expenditures were not verified by the state over the period during which the facility received state funding. However, the facility reported that it conducted annual audits of its advertising invoices to ensure the accuracy of reported expenditure data; we requested but did not receive the audits.

Every 10 years, the facility must be recertified by demonstrating that it is open to the public; continues to be the only international administrative headquarters, fishing museum, and hall of fame in the U.S. recognized by the IGFA; and is meeting at least one of the minimum projections established at the time of original certification: 300,000 in annual non-resident attendance or $1 million in annual sales tax revenue.[84] The facility reported an average of $3.8 million in annual sales tax revenues generated from 2000 through 2010, and it was recertified in 2011.

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[82] World Golf Hall of Fame annual marketing reports.

[83] Section 288.1169(2)(g), *F.S.*

[84] Section 288.1169(6), *F.S.*

Findings

Amateur and professional sports industry stakeholders are very satisfied with the Florida Sports Foundation's programs and performance and believe that the industry significantly benefits from the foundation's activities. However, we determined that the foundation's process for administering grants should be improved to help ensure that estimated economic impacts are accurate.

Regarding professional sports, data reported by sports organizations and teams shows that participation and attendance vary across Florida's amateur and professional events. Participation in amateur sports has increased, and spring training attendance has remained relatively constant. However, while exceeding estimates, attendance for the state's professional teams tends to be less than that of teams in other states. In addition, the number of visitors to the World Golf Hall of Fame and International Game Fish Association World Center has been significantly lower than expected.

To improve the process of awarding state funds for professional sports facilities, the 2014 Legislature created the Sports Development Program. The Department of Economic Opportunity is the lead agency for screening applications and forwarding qualifying applications to the Legislature for review and approval. The Florida Sports Foundation provides access to information about the new program.

Amateur and Professional Sports Stakeholders Are Very Satisfied with the Florida Sports Foundation's Performance

OPPAGA surveyed professional sports organizations and local and regional sports commissions to determine the nature of their interactions and satisfaction with the Florida Sports Foundation and to learn about the activities these organizations conduct to promote sports in Florida.[85] These stakeholders are generally satisfied with the foundation's performance and reported that the state's sports industry significantly benefits from its activities and services.

Stakeholders are familiar with foundation activities and maintain frequent contact; sports commissions are particularly satisfied with grant programs. Local and regional sports commissions reported high levels of familiarity and satisfaction with the foundation's operations. Of the foundation's programs, the commissions were most familiar with grant programs, with 100% that responded to this question noting that they were "very familiar" or "familiar" with the grant programs; 87% were "very familiar" or "familiar" with large events such as the Sunshine State Games and Senior Games. This level of familiarity is likely a result of frequent contact, as more than half (56.5%) of the commissions responding to that question contact the foundation weekly, and half of the professional sports organizations have monthly contact with the foundation. Commissions that responded to a question about what information they typically seek from the foundation reported that they contact the foundation for a variety of reasons, but most often regarding grants (96%). Most (83%) professional sports organizations contact the foundation to obtain industry-specific information, and half (50%) received technical assistance from the foundation for the team's original certification. Almost all (91%) of the commissions responding to a question about their level of satisfaction reported being "very satisfied" with their interactions with the foundation.

The majority (91%) of sports commissions responding to a question about grants noted that they sought and received grant funding over the previous three fiscal years. In addition, most (90.5%) of these commissions rated the timing of grant availability as being "very efficient." Commissions who received

[85] OPPAGA surveyed 26 local and regional sports commissions and 23 responded; OPPAGA also surveyed 18 professional sports franchises and 13 responded. The Tampa Bay Rays were surveyed twice, once in their capacity as a certified professional sports franchise and once in their capacity as a certified spring training franchise.

grants reported using the funds for their largest event expenses: facility rental (86%) and fees to bid on hosting events (71%). Although several commissions that responded to our question on financing reported that they have other sources of financial support, such as local government funding (65%) or participant entry fees (48%), most respondents reported that foundation grants are "very important" to hosting youth events in particular (95%), but also professional, college, and adult events.

Both sports commissions and professional team representatives consider the foundation integral to Florida's sports industry. In general, 96% of the commissions responding to a question regarding the impact of discontinuing the foundation thought it would be detrimental to their organization if the foundation did not exist; the commissions noted that without foundation support, they would host fewer events. Moreover, 87% of the responding commissions reported that the sports industry in general would be severely affected if the foundation did not exist. According to respondents, without the foundation, commissions would lose valuable marketing, financial, and professional relationships.

Similarly, 62% of professional sports organizations that responded to questions about the foundation's impact think that the foundation has a positive to very positive impact on Florida's professional sports industry. These professional team representatives cited a number of reasons for their response, including the foundation's service as a networking tool that connects professional sports franchises and the foundation's support that contributes to attracting significant professional sports events to the state.

The Florida Sports Foundation's Process for Administering Grant Programs Could Be Improved

The Florida Sports Foundation's current process for administering grant programs could be improved to ensure that reported economic impacts are accurate and comply with grant requirements. Such improvements would enhance accountability and help ensure that grants are having the intended effect.

Within 90 days of the completion of a grant-supported event, sports commissions must submit a post-event report to the foundation. This report generally contains a narrative summary of

- recipient and event information;
- eligible expenditures for reimbursement;
- actual use of grant funds; and
- economic impact, including total participants, total spectators, total media, sales tax revenue, and bed tax revenue.

Foundation staff reviews the post-event report to determine whether the event achieved the impact projected in the grant application.[86] Local and regional sports commissions calculate economic impact by multiplying the number of out-of-state visitors and/or participants by average daily hotel spending.[87] If staff determines that the terms of the grant agreement have been met, they reimburse the local or regional sports commission for paid invoices related to expenses specified in the post-event report.

However, the foundation does not require documentation of the economic impacts specified in the report prior to payment. Rather, the foundation relies upon the sports commissions' certification of the reported data. Without this documentation, the foundation does not have reasonable assurance that the stated economic impacts are accurate.

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[86] According to foundation officials, local sports commissions use a wide variety of data sources and methodologies to gather the information used to complete post-event reports.

[87] This figure is generated annually by VISIT Florida. For 2014, this figure was $150 per day for an adult out-of-state visitor and $75 per day for a youth out-of-state visitor.

Participation and Attendance Vary Across Florida's Amateur and Professional Sports Events

In addition to sports-related employment, attendance by participants and spectators of Florida sporting events is a major factor influencing the economic benefit of the state's sports industry. Attendance at Florida's sporting events is important because it is the primary factor used to estimate the economic impact related to specific events. Estimates of the economic impacts of each local sports event are driven by the average daily hotel spending by out-of-state visitors attending the event.

Our analysis of participation and attendance data for activities such as grant-supported events, the Sunshine State and Senior Games, and professional league and spring training games, showed that participation in amateur sports in Florida has increased since 2011, and spring training attendance has remained relatively constant. However, while attendance for Florida's professional sports teams exceeds original certification estimates, it tends to be at the bottom of teams respective leagues. In addition, the number of visitors to the World Golf Hall of Fame and International Game Fish Association World Center has been significantly lower than expected.

Grants to regional sports commissions attract out-of-state visitors that generate economic activity. In Fiscal Years 2010-11 through 2012-13, the Florida Sports Foundation provided $2.8 million in grants to local and regional sports commissions to support 160 sporting events. Post-event economic reports provided by the commissions indicate that these events attracted a substantial number of out-of-state visitors (from 197,544 to 362,340 across the three fiscal years) with a reported estimated annual economic impact ranging from $108 million to $317 million. (See Exhibit 3-8.)

Exhibit 3-8
Local and Regional Sports Commissions Report Significant Economic Impacts from Grant-Funded Events

Fiscal Year 2010-11		Fiscal Year 2011-12[1]		Fiscal Year 2012-13	
Out-of-State Visitors	Estimated Post-Event Economic Impact	Out-of-State Visitors	Estimated Post-Event Economic Impact	Out-of-State Visitors	Estimated Post-Event Economic Impact
197,544	$108,340,433	364,340	$316,869,205	339,563	$240,458,967

[1] The difference in visitors and economic impacts between Fiscal Years 2010-11 and 2011-12 may be due to a higher number of signature events (e.g., NBA All-Star Game).

Source: Florida Sports Foundation.

Participation in Sunshine State and Florida Senior Games is growing and reportedly has a significant economic impact. According to the foundation, both the Florida Senior Games and Sunshine State Games attract a fair number of Florida athletes, with participation steadily increasing over the years.[88] For example, the foundation reports that the Sunshine State Games had 8,691 participants in Fiscal Year 2010-11 compared to an estimated 26,790 in Fiscal Year 2012-13. During the same period, the reported economic activity generated by participants and spectators of these events was around $8 million each year.[89] (See Exhibit 3-9.)

[88] These events attract few out-of-state visitors because they are designed for Floridians.

[89] As noted previously, calculations of economic impacts are based on total visitors and average hotel night value. For this estimate, only participants and spectators are taken into account.

Exhibit 3-9
According to the Florida Sports Foundation, Annual Participation in Senior Games and Sunshine State Games Continues to Increase

	Fiscal Year 2010-11		Fiscal Year 2011-12		Fiscal Year 2012-13	
Event	Athletes	Estimated Impact	Athletes	Estimated Impact	Athletes	Estimated Impact
Local Senior Games	10,106	$1,515,900	10,820	**$ 1,623,000**	11,978	$1,447,050
Florida Senior Games	2,239	1,119,500	1,841	920,500	4,662[1]	1,165,500
Sunshine State Games	8,691	6,089,686	10,098	5,334,429	26,790[1]	5,558,505
Total	**21,036**	**$8,725,086**	**22,759**	**$ 7,877,929**	**43,430**	**$8,171,055**

[1] Only aggregate counts of participants and spectators were available for the Senior Games Championships and the Sunshine Games in Fiscal Year 2012-13.

Source: Florida Sports Foundation.

All Florida teams are meeting original attendance projections established at the time of certification, however, attendance is low compared to other U.S. teams. For the professional sports franchises that were certified to receive state funds, recent attendance estimates exceed the projected annual attendance required for certification: 300,000 for professional sports facilities. (See Exhibit 3-10.) However, with the exception of Florida's two NBA teams (Miami Heat and Orlando Magic) and one NHL team (Tampa Bay Lightning), average home game attendance for the state's teams ranks well below average home game attendance across professional leagues. For example, among the 32 teams in the NFL, Florida's teams are ranked well below most other teams; the Miami Dolphins are ranked 21st, followed by the Jacksonville Jaguars (28th) and Tampa Bay Buccaneers (29th).

Exhibit 3-10
Florida's Professional Team Attendance Exceeds Original Certification Projections[1]

		Total Attendance		
Sport	Florida Team	2011	2012	2013
Baseball	Florida Marlins[2]	1,520,562	2,219,444	1,586,322
	Tampa Bay Rays	1,529,188	1,559,681	1,510,300
Basketball	Miami Heat	810,930	657,855	819,290
	Orlando Magic	777,852	623,587	721,414
Football	Jacksonville Jaguars	498,655	519,872	419,581
	Miami Dolphins	487,089	459,033	514,553
	Tampa Bay Buccaneers	396,300	440,819	470,548
Hockey	Florida Panthers	643,116	681,763	407,806
	Tampa Bay Lightning	708,022	757,192	457,337
Certification Attendance Projections		**300,000**	**300,000**	**300,000**

[1] Attendance is home games. Year specified is either the final year of a multi-year season (basketball, hockey) or the calendar year of a season (baseball, football).

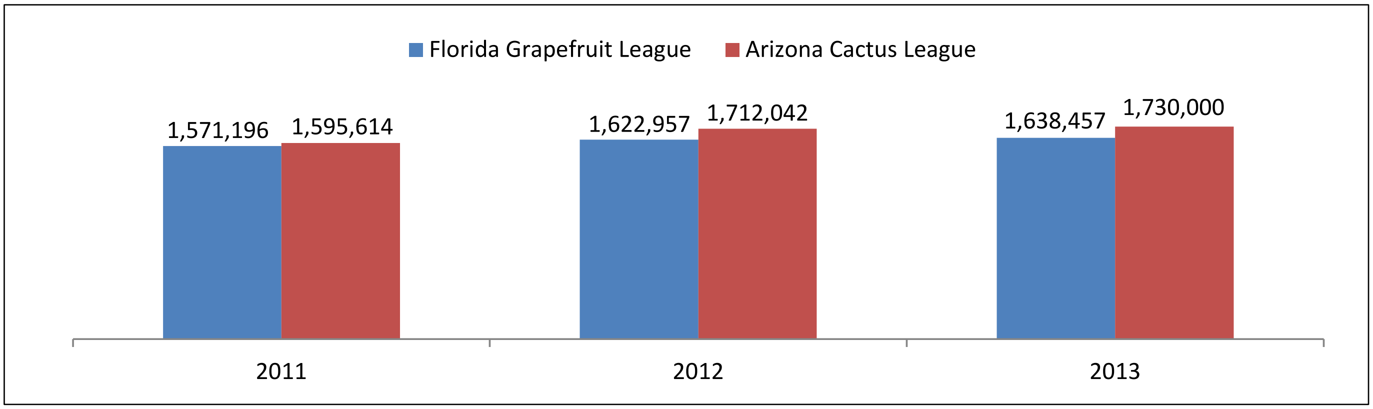
[2] Beginning in the 2012 season, the Florida Marlins changed their name to the Miami Marlins.

[3] The start of the 2012-13 NHL season was delayed due to a lockout imposed by the NHL franchise owners after the expiration of the league's collective bargaining agreement. The regular season began on January 19, 2013, and ended on April 28, 2013, which likely accounts for the significant drop in attendance for the 2013 season.

Source: ESPN major sport leagues attendance reports for regular season games.

Florida's Grapefruit League attendance performs similarly to Arizona's Cactus League. According to spring training facility annual reports, the facilities generate approximately 1.6 million visitors per season. Moreover, in 2009, spring training reported $753.2 million in total statewide spending and generated $284.2 million in labor income in the state.[90] Annual attendance for Florida's spring training league games is comparable to attendance at Arizona's spring training league games. (See Exhibit 3-11.)

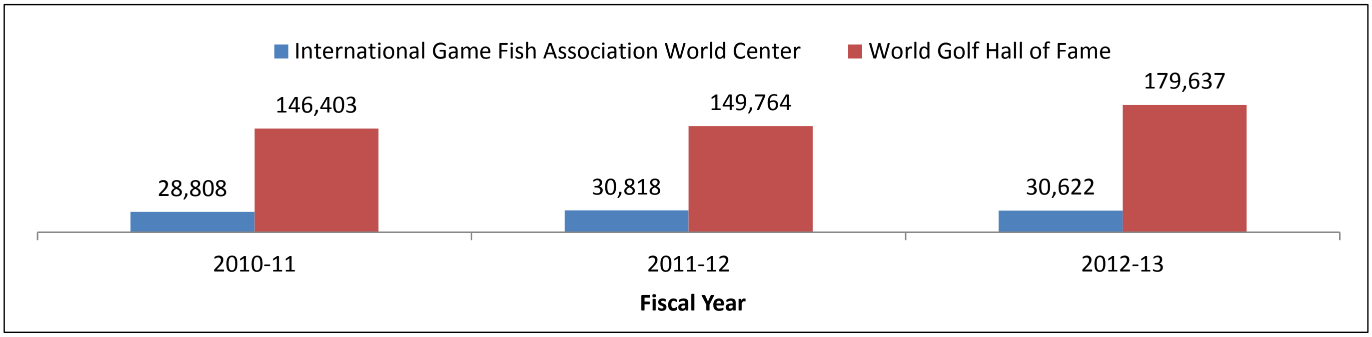
Exhibit 3-11
Attendance at Florida's Grapefruit League Has Increased Slightly and Is Similar to Arizona's Cactus League



Source: OPPAGA analysis of Florida Grapefruit League and Arizona Cactus League publications.

World Golf Hall of Fame and International Game Fish Association World Center attendance lower than expected. Although the original certifications projected 300,000 visitors per year for World Golf Hall of Fame and the International Game Fish Association World Center, annual attendance for both has been significantly lower. Neither facility has approached that goal, with recent attendance data showing 30,622 International Game Fish Association World Center visitors and 179,637 World Golf Hall of Fame visitors during Fiscal Year 2012-13. (See Exhibit 3-12.)

Exhibit 3-12
IGFA World Center and World Golf Hall of Fame Attendance Has Been Less than Expected



[1] The IGFA collects attendance numbers based on the federal fiscal year, October 1 through September 30. The World Golf Hall of Fame collected attendance based on the state fiscal year.

Source: International Game Fish Association and World Golf Hall of Fame data.

[90] *2009 Florida Major League Baseball Spring Training Economic Impact Study*, The Bonn Marketing Research Group, Inc.,

The Legislature Has Taken Steps to Improve the Process of Awarding State Funds for Professional Sports Facilities

Recent statutory changes add criteria to applications for state funding for sports facility construction and renovation. The 2014 Legislature created the Sports Development Program administered by the Department of Economic Opportunity.[91] Chapter 2014-167, *Laws of Florida*, specifies new professional sports franchises that qualify for the program: Major League Soccer, the North American Soccer League, the Professional Rodeo Cowboys Association, events administered by Breeders' Cup Limited, or the promoter of a signature event sanctioned by the National Association for Stock Car Auto Racing (NASCAR). The law designates DEO as the lead agency for screening applications and forwarding qualifying applications to the Legislature for review and approval. The Florida Sports Foundation also provides access to information about the new program. The annual state funding distributions vary according to total project costs.

- $200 million or greater: annual distribution may be up to $3 million
- At least $100 million but less than $200 million: annual distribution may be up to $2 million
- Less than $100 million and more than $30 million: annual distribution may be up to $1 million
- At least $100 million and applicant currently certified and receiving a distribution: annual distribution may be up to $1 million

In Fiscal Year 2014-2015, the department may not certify total annual distributions of more than $7 million for all newly certified applicants. For subsequent fiscal years, the department may not certify an applicant if, as a result of the certification, the total amount distributed will exceed $13 million.

The new law increases accountability for sports facility payments. The law requires that incentive recipients provide DEO with information to be included in an annual report on the Sports Development Program. According to DEO, this will include information similar to that required in the original application, such as ticket sales, increase in visitors to the state, and increase in Florida employment. In addition, every five years, DEO must verify that recipients are meeting program requirements, and OPPAGA and EDR are required to review the program every three years starting in 2018. Moreover, certified applicants must return payments to the state if they break the terms of the agreement and relocate to another facility.

DEO has developed rules and an application process for entities seeking funding through the new program. As part of this process, the department will rank each application based on its ability to positively impact the state considering several factors, including the number of jobs created, length of facility lease, and potential to attract out-of-state visitors. The application period each year is from June 1 to November 1. During the first application period in 2014, DEO received four applications requesting total annual distributions of $9 million. Applications were submitted by the Miami Dolphins, Daytona International Speedway, City of Orlando/Major League Soccer, and City of Jacksonville/Jacksonville Jaguars.

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[91] Section 288.11625, *F.S.*

Recommendations

There are steps that the Florida Sports Foundation and the Department of Economic Opportunity could take to enhance the reliability of economic impact data related to grant-funded events and spring training facilities.

Enhancing the Florida Sports Foundation's administration of grant funds would increase accountability. As part of the post-event reporting process, the foundation does not currently require grant recipients to provide any documentation to support their claims of economic impact. To help ensure that grant funds achieve the anticipated economic impact, local and regional sports commissions that receive grant funding should present the data used to estimate economic impacts with the post-event reports. For example, recipients could provide a summary of the documentation, methodology, and sources that support reported economic impacts of grant-funded events.

Providing this additional information should not be onerous to grantees, because many already collect such data. For example, 90% of local and regional commissions that we surveyed reported that they maintain documentation such as hotel occupancy records and registered participant records. Some (28%) commissions also noted that they conduct attendee surveys that can be used as a data source. Moreover, 62% of commissions that received grants reported that they conduct additional impact analyses beyond what the foundation currently requires for documenting economic impact.

DEO should establish guidelines for Major League Baseball spring training facilities annual reports. The Legislature recently established reporting requirements for all professional sports facilities that will receive state funds through the newly created Sports Development Program. The Legislature authorized DEO to determine what information professional sports organizations must report annually.

Spring training facilities have been required to submit annual reports, including cost-benefit information, to DEO. However, our review of these reports indicated that they significantly vary in data elements included, methodology, and specificity. To help ensure that information is reported in a consistent manner, it would be helpful for DEO to provide the spring training facilities with standard reporting guidelines for the cost-benefit information and to review the annual reports to determine if they comport with the guidelines.

Appendix A

Professional Sports Facility Certification Criteria

Exhibit A-1
Certification Criteria Vary by Type of Facility

<table>
<tr><th>Type of Professional Sports Facility</th><th>Certification Criteria</th></tr>
<tr><td>Major League Baseball Spring Training Facilities</td><td>
▪ The franchise will use the facility for at least 20 years
▪ There is a local financial commitment to provide at least 50% of funds for acquisition, construction, management and operation of facilities
▪ The franchise will attract an annual attendance of at least 50,000 patrons
▪ The facility is located in a county that levies a tourist development tax
▪ Ten additional evaluation criteria must be met for competitive evaluation of applications
o Projected economic impact
o Local matching funds
o Potential for the facility to serve multiple uses
o Intended use of funds by the applicant
o Length of time a spring training franchise has been under an agreement to conduct spring training activities in the applicant's jurisdiction
o Length of time an applicant's facility has been used by one or more spring training franchises
o Term remaining on a lease
o Length of time a franchise agrees to use an applicant's facility
o Net increase of total active recreation space owned by the applicant
o Location of the facility in a brownfield, enterprise zone, community redevelopment area, or other area of targeted development or revitalization
</td></tr>
<tr><td>Facilities for New or Retained Professional Sports Franchises</td><td>
▪ A unit of local government is responsible for the construction, management, or operation of the facility or holds title to the property on which the facility is located
▪ The applicant has a signed agreement with a new professional sports franchise for the use of the facility for a term of at least 10 years, or in the case of a retained professional sports franchise, for a term of at least 20 years
▪ The applicant has evidence authorizing the location of the professional sports franchise in this state
▪ The applicant has projections verified by the DEO that demonstrate that the franchise will attract a paid attendance of over 300,000 annually
▪ The applicant has an independent analysis or study, verified by the DEO, which demonstrates that the amount of tax revenues generated by the use and operation of the facility will exceed $2 million annually
▪ The jurisdiction in which the facility is located has certified by resolution after a public hearing that the application serves a public purpose
▪ The applicant has demonstrated that it can provide more than one-half of the costs related to the improvement and development of the facility
▪ An applicant previously certified under any of the above provisions who has received funding under such certification is not eligible for an additional certification
</td></tr>
</table>

Type of Professional Sports Facility	Certification Criteria
Professional Golf Hall of Fame	▪ The facility is the only professional golf hall of fame in the United States recognized by the PGA Tour, Inc. ▪ Applicant is a unit of local government or private sector group contracted to construct/operate the facility on land owned by local government ▪ The jurisdiction in which the facility is located has certified by resolution after a public hearing that the application serves a public purpose ▪ There are existing projections that the facility will attract a paid attendance of over 300,000 annually ▪ There is evidence that the facility will generate at least $2 million annually in local taxes from the use and operation of the facility ▪ The applicant agrees to provide $2 million annually in national and international media promotion of the professional golf hall of fame facility, Florida, and Florida tourism ▪ The applicant has provided, is capable of providing, or has financial or other commitments to provide more than one-half of the costs of improving or developing the facility ▪ The application is signed by an official senior executive of the applicant and is notarized according to Florida law
International Game Fish Association World Center	▪ The facility is the only fishing museum, hall of fame, and international administrative headquarters in the United States recognized by the International Game Fish Association, and that one or more private sector concerns have committed to donate to the facility's land upon which the facility will operate ▪ The applicant is a not-for-profit Florida corporation that has contracted to construct and operate the facility ▪ The jurisdiction in which the facility is located has certified by resolution after a public hearing that the application serves a public purpose ▪ There are projections that the project (i.e., the facility and collocated facilities of private sector concerns who have made cash or in-kind contributions of $1 million or more to the facility) will attract an attendance of over 1.8 million annually ▪ There is evidence that the project will generate at least $1 million annually in local taxes from the use and operation of the facility ▪ There are projections that the project will attract more than 300,000 out-of-state visitors annually ▪ The applicant agrees to provide $500,000 annually in national and international media promotion of the facility ▪ The applicant has provided, is capable of providing, or has financial or other commitments to provide more than one-half of the costs of improving or developing the facility ▪ The application is signed by senior officials of the International Game Fish Association and is notarized according to Florida law

Source: Sections 288.11621, 288.1162(4), 288.1168(2), and 288.1169, *F.S.*

Appendix B

State Funding Payment Schedules and Lease Terms for Professional Sports Facilities

Exhibit B-1
Spring Training Facilities for Major League Baseball Franchises[1]

Team	Facility	Location, Certified Entity, & Certification Date	Monthly Distribution, Number of Years Bonded, & Total State Payment	1st Payment & Final Payment	Total Payments as of June 30, 2014	Team's Lease Expires
Los Angeles Dodgers[2]	Holman Stadium, now known as Dodgertown	– Vero Beach – Indian River County – January 2001	– $41,667 – 30 years – $15 million	– March 2001 – February 2031	$6,666,720	No lease
Detroit Tigers	Joker Marchant Stadium	– Lakeland – Lakeland – January 2001	– $38,889 – 15 years – $7 million	– March 2001 – February 2016	$6,222,240	2016
Houston Astros	Osceola County Stadium	– Kissimmee – Osceola County – January 2001	– $41,667 – 15 years – $7.5 million	– March 2001 – February 2016	$6,666,720	2016
Toronto Blue Jays	Florida Auto Exchange Stadium	– Dunedin – Dunedin – January 2001	– $41,667 – 20 years – $10 million	– March 2001 – February 2023	$6,666,720	2016
New York Mets	Tradition Field	– Port St. Lucie – St. Lucie County – December 2006	– $41,667 – 15 years – $7.5 million	– March 2007 – March 2037	$1,934,720	2023
Philadelphia Phillies	Bright House Networks Field	– Clearwater – Clearwater – December 2006	– $41,667 – 30 years – $15 million	– March 2001 – February 2031	$6,666,720	2023
Tampa Bay Rays	Charlotte Sports Park	– Port Charlotte – Charlotte County – December 2006	– $41,667 – 30 years – $15 million	– March 2007 – March 2037	$3,666,696	2028
Pittsburgh Pirates	McKechnie Field	– Bradenton – Bradenton – December 2006	– $41,667 – 30 years – $15 million	– March 2007 – March 2037	$3,666,696	2037
Baltimore Orioles	Ed Smith Stadium	– Sarasota – Sarasota – December 2006	– $41,667 – 30 years – $15 million	– March 2007 – March 2037	$3,666,696	2039
Minnesota Twins	Hammond Stadium	– Fort Myers – Lee County – August 2012	– $41,667 – 30 years – $15 million	– July 2013 – June 2043	$500,004	2045

[1] The Atlanta Braves, Boston Red Sox, Miami Marlins, New York Yankees, St. Louis Cardinals, and Washington Nationals also hold spring training in Florida, but there are no state financial obligations for the host facilities.

[2] On March 17, 2008, the Dodgers' final major league spring training game was played at Holman Stadium. In 2009, the Dodgers began holding spring training in Glendale, Arizona.

Source: OPPAGA analysis of Department of Economic Opportunity, Department of Revenue, and Florida Sports Foundation data.

Exhibit B-2
Professional Sports Facilities for Major League Baseball, National Football League, National Hockey League, and National Basketball Association Franchises

Team/League	Facility	Location, Certified Entity, & Certification Date	Monthly Distribution, Number of Years Bonded, & Total State Payment	1st Payment & Final Payment	Total Payments as of June 30, 2014	Team's Lease Expires
Miami Marlins MLB	Joe Robbie Stadium, now Sun Life Stadium	– Miami – South Florida Stadium Corp. – May 1993	– $166,667 – 30 years – $60 million	– June 1994 – June 2023	$42,000,084	99 year land lease, issued 1987
Jacksonville Jaguars NFL	EverBank Field	– Jacksonville – Jacksonville – April 1994	– $166,667 – 30 years – $60 million	– June 1994 – May 2024	$40,166,747	2030
Tampa Bay Rays MLB	Tropicana Field	– St. Petersburg – St. Petersburg – July 1995	– $166,667 – 30 years – $60 million	– July 1995 – June 2025	$38,000,076	2027
Tampa Bay Lightning NHL	Tampa Bay Times Forum	– Tampa – Tampa Bay Sports Authority – July 1995	– $166,667 – 30 years – $60 million	– September 1995 – August 2025	$37,666,742	2025
Florida Panthers NHL	BB&T Center	– Sunrise – Broward County – June 1996	– $166,667 – 30 years – $60 million	– August 1996 – July 2026	$35,833,405	2028
Tampa Bay Buccaneers NFL	Raymond James Stadium	– Tampa – Hillsborough County – November 1996	– $166,667 – 30 years – $60 million	– January 1997 – December 2026	$35,000,070	2028
Miami Heat NBA	American Airlines Arena	– Miami – BPL, LTD – February 1998	– $166,667 – 30 years – $60 million	– March 1998 – March 2028	$32,500,070	2030
Orlando Magic NBA	Amway Center	– Orlando – Orlando – February 2008	– $166,667 – 30 years – $60 million	– February 2008 – January 2038	$12,833,359	2036

Source: OPPAGA analysis of Department of Economic Opportunity, Department of Revenue, and Florida Sports Foundation data.

Exhibit B-3
Professional Golf Hall of Fame and International Game Fish Association World Center Facilities

Facility	Location	Monthly Distribution, Number of Years Bonded, & Total State Payment	1st Payment & Final Payment	Total Payments as of June 30, 2014
Professional Golf Hall of Fame	St. Augustine	– $166,667 – 25 years – $50 million	▪ July 1998 ▪ June 2023	$32,000,064
International Game Fish Association World Center	Dania Beach	– $83,333 – 14 years – $15 million	▪ March 2000 ▪ February 2014	$14,999,940

Source: OPPAGA analysis of Department of Economic Opportunity, Department of Revenue, and Florida Sports Foundation data.

Rick Scott
GOVERNOR

FLORIDA DEPARTMENT of ECONOMIC OPPORTUNITY

Jesse Panuccio
EXECUTIVE DIRECTOR

December 23, 2014

Mr. R. Philip Twogood
The Florida Legislature's Office of Program
Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Mr. Twogood:

Pursuant to section 11.51(2), Florida Statutes, this letter represents our response to the report titled: *Florida Economic Development Program Evaluations – Year 2*. We thank you and your staff for the review of the Office of Film and Entertainment's (OFE) incentive programs and appreciate the detailed analysis. The Department of Economic Opportunity (DEO) seeks to continually improve the efficiency and effectiveness of its incentive programs and welcomes the opportunity to assess observations and recommendations for consistent and appropriate implementation. Below is our response:

Significant Improvements to the Tax Credit Award Process Have Already Been Implemented
It is important to note that OFE made significant improvements to the process during the report period, which consists of fiscal years 2010-11, 2011-12, and 2012-13. Several changes have been made to make the process more efficient, including:

- The addition of staff to expedite the OFE audit review process; and
- The reduction of the sample selection percentage pursuant to the findings of an Advisory Report conducted by DEO's Office of the Inspector General in September 2012.

Due to the implementation of these and other changes, the review time of an audit has reduced significantly and continues to decline. It is also important to note that once the review process is complete, OFE issues the production company an award letter. DOR can take an additional two months to issue a certificate of tax credits to an awardee. This additional time was not included in the report and may be a contributing factor to the length of time reported by those surveyed.

Sales Tax Exemption Certificate Start Dates
In section 288.1258, Florida Statutes, there are no specific requirements for the start date of a certificate of exemption. In an attempt to be business friendly, we may grant an applicant's requested start date on a certificate as long as it is within reason (usually no more than 30 days prior to the date of application).

Concerns Regarding OPPAGA'S Survey Instrument
While gathering data by surveying recipients of incentives may be useful, the survey OPPAGA conducted for purposes of the report has potentially material and important defects, including question non-response error. As a result, the survey may have produced unreliable results and a non-representative sample of the recipient population.

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
866.FLA.2345 | 850.245.7105 | 850.921.3223 Fax
www.floridajobs.org | www.twitter.com/FLDEO | www.facebook.com/FLDEO

Philip Twogood
December 23, 2014
Page 2 of 2

Non-response is a problem for survey quality because it almost always introduces systematic bias into the data. This results in poorer data quality and can significantly bias any estimates derived from the data. OPPAGA attempted to survey 1,326 incentive recipients during the evaluation period and only 390 (29 percent) provided responses, some of which were incomplete. While nearly every survey suffers from some rate of non-response, the degree of non-response to OPPAGA's survey makes the results potentially unreliable and unrepresentative.

Again, we thank you and your staff for the review and will take under advisement the actions recommended to promote more efficiency in OFE's incentive programs.

Sincerely,

Niki Welge
State Film Commissioner

Rick Scott
GOVERNOR

FLORIDA DEPARTMENT of ECONOMIC OPPORTUNITY

Jesse Panuccio
EXECUTIVE DIRECTOR

December 23, 2014

Mr. R. Philip Twogood
Coordinator
The Florida Legislature's Office of Program
Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, Florida 32399-1475

Dear Mr. Twogood:

Pursuant to section 11.51(2), Florida Statutes, this letter represents Florida Department of Economic Opportunity's (DEO) response to the report titled: *Florida Economic Development Program Evaluations – Year 2.* We thank you and your staff for the review of the state's key economic development incentive programs and appreciate the detailed analysis of each program.

The review involved an evaluation of two of the state's economic development programs – VISIT FLORIDA and the Florida Sports Foundation – as well as the various sports-related incentives. Your staff was charged with reviewing each program's effectiveness and value to the state's taxpayers including any recommendations for consideration by the Legislature. We applaud your team's efforts to meet with each organization on numerous occasions to understand the multitude of activities and programs within each organization and how each organization interacts with DEO. The report's findings and recommendations will be taken under advisement as we strive to improve the accountability within our programs.

DEO supports both VISIT FLORIDA and the Florida Sports Foundation in their efforts to promote Florida as the premier travel and sports destination. Both of these organizations work closely with their respective industry partners and stakeholders to develop and further their mission. As key drivers in the state's economy, the tourism and sports industries have a tremendous impact by creating jobs for Florida's families and improving the Florida's economy. Thus far in 2014, we have experienced three record quarters in visitors so far in 2014, putting the state on pace for a fourth consecutive record year. Further, the state's sports industry continues to grow each year.

Again, we thank you and your staff for the comprehensive review and will continue to collaborate with our partners to improve the efficiency and effectiveness of the state's economic development programs.

Sincerely,

Cissy Proctor

CP/km

Florida Department of Economic Opportunity | Caldwell Building | 107 E. Madison Street | Tallahassee, FL 32399
866.FLA.2345 | 850.245.7105 | 850.921.3223 Fax
www.floridajobs.org | www.twitter.com/FLDEO | www.facebook.com/FLDEO

VISIT FLORIDA
2540 W. Executive Center Circle
Suite 200
Tallahassee, Florida 32301

T (850) 488-5607
F (850) 201-6900

December 23, 2014

Mr. R. Philip Twogood
The Florida Legislature's Office of Program
Policy Analysis and Government Accountability
111 West Madison Street, Suite 312
Tallahassee, FL 32399-1475

Dear Mr. Twogood:

Thank you for the opportunity to respond to the Office of Program Policy Analysis and Government Accountability (OPPAGA) Florida Economic Development Program Evaluations – Year 2 Report on VISIT FLORIDA and thank you and your staff for the professional and thorough review of VISIT FLORIDA's destination marketing programs.

VISIT FLORIDA's vision is to establish Florida as the No. 1 travel destination in the world. As the state's official tourism marketing corporation, VISIT FLORIDA partners with over 12,000 private sector businesses to promote travel and drive visitation to and within Florida through extensive marketing programs targeting consumers, travel agents, tour operators, media and meeting planners.

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The state tourism industry has a tremendous amount of momentum having posted three consecutive record years (2011, 2012 & 2013) of visitation, traveler spending and tourism employment. As the report states, "Florida's tourism industry employment outpaced national and industry trends" and "Florida's tourism industry jobs are attributable to the state's relative competitive advantage rather than industry growth nationwide or general economic recovery."

VISIT FLORIDA Return on Investment (ROI)

We recognize and appreciate the complexities that OPPAGA has faced regarding the overall assessment of VISIT FLORIDA's global marketing program.

While we do not presume that the strength of the Florida tourism industry is 100% attributable to the efforts of VISIT FLORIDA, the state's investment in destination marketing is generating a significant positive return for Floridians.

VISIT FLORIDA conducts a robust research program utilizing best in class partners to inform marketing efforts and to gauge the impact of individual marketing programs; however, there is no comprehensive mechanism to track the overall impact of VISIT FLORIDA on the state's nearly 100 million annual visitors.

The Official Tourism Marketing Corporation for the State of Florida

VISIT FLORIDA
2540 W. Executive Center Circle
Suite 200
Tallahassee, Florida 32301

T (850) 488-5607
F (850) 201-6900

The results of the referenced 2013 advertising ROI study indicate that an $8 million investment in a single VISIT FLORIDA advertising campaign generated 1.2 million incremental visitors with an economic impact of $3.1 billion. This research demonstrates that destination advertising is working for the state of Florida.

In an effort to more comprehensively measure the impact of the organization, VISIT FLORIDA has commissioned an annual study to determine how many travelers were influenced in their decision to visit Florida by one or more VISIT FLORIDA marketing programs. With seven years of data it is clear that VISIT FLORIDA's integrated marketing efforts are positively impacting travelers in their destination decisions. VISIT FLORIDA research staff along with the research vendor will review OPPAGA concerns regarding the study methodology and will consider adjustments to the methodology and report moving forward.

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Another very important measure of VISIT FLORIDA's value to the Florida tourism industry is the level of industry participation in co-op marketing programs. As noted in Exhibit 2-1, while the state investment in VISIT FLORIDA increased 70% from 2010-11 to 2012-13, the private sector investment increased 102% to $101,252,832.00. This significant increase in industry participation demonstrates that VISIT FLORIDA is creating real marketing value for our Partners while far exceeding the legislatively required $1 - $1 match.

Additionally, the 2014 survey of the Florida tourism industry rated VISIT FLORIDA 83.1% on promoting tourism to Florida, the highest score on record and up from 82.4% in 2013 and 81.1% in 2012.

VISIT FLORIDA Performance Metrics and Strategic Plan

There is no doubt that assessing VISIT FLORIDA's overall performance is challenging, however, all individual metrics from ROI, to visitor influence, industry investment in co-op marketing programs, industry satisfaction and market share are at or near record levels. VISIT FLORIDA's current performance metrics are tied to the organization's objectives in the 2012-16 Strategic Plan which are strategic in nature and are not conducive to annual performance measurement. In January 2015, the VISIT FLORIDA Board of Directors will begin the development of a 2015 -2020 Strategic Plan which will incorporate OPPAGA recommendations to more closely tie VISIT FLORIDA's performance metrics to tactics with specific timeframes to assess performance.

The Official Tourism Marketing Corporation for the State of Florida

VISIT FLORIDA
2540 W. Executive Center Circle
Suite 200
Tallahassee, Florida 32301

T (850) 488-5607
F (850) 201-6900

Expansion of VISIT FLORIDA's role with state agencies

As the public/private partnership responsible for tourism marketing, VISIT FLORIDA currently partners with many state agencies and statewide organizations to enhance their efforts to increase tourism to Florida. Additionally, many state agencies have representation on the marketing committees that drive the development and implementation of VISIT FLORIDA's annual strategic marketing plan. VISIT FLORIDA will continue to provide research and cooperative marketing programs to state partners and will develop custom marketing solutions for agency partners as requested.

Again, thank you for the thoughtful review and recommendations. We are committed to maximizing the economic impact of tourism and the return on the state's investment in VISIT FLORIDA.

Regards,

Will Seccombe
President and CEO
VISIT FLORIDA

VISITFLORIDA

The Official Tourism Marketing Corporation for the State of Florida

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/20/15
Meeting Date

Bill Number (if applicable)

Amendment Barcode (if applicable)

Topic Visit FL

Name Mary Alice Nye

Job Title Chief Legislative Analyst

Address
Street

Phone

City State Zip

Email

Speaking: ☐ For ☐ Against ☑ Information

Waive Speaking: ☐ In Support ☐ Against
(The Chair will read this information into the record.)

Representing OPPAGA

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/14/14)

OFFICE OF ECONOMIC
& DEMOGRAPHIC RESEARCH

Return on Investment for VISIT FLORIDA

1/1/2015

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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 18 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 2010-11, 2011-12, and 2012-13. In this report, the program VISIT FLORIDA is under review.

Explanation of Return on Investment...

For the purpose of 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:

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

Since EDR's Statewide Model[3] is used to develop these computations and to model the induced and indirect effects, EDR is able to simultaneously generate State Revenue and State Investment from the model so all feedback effects mirror reality. The result (a net number) is used in the final ROI calculation.

As used by EDR for this analysis, the returns can be categorized as follows:

- **Greater Than One (>1.0)**…the program more than breaks even; the return to the state produces more revenues than the total cost of the 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 Methodology 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...

This analysis develops a return on investment for VISIT FLORIDA and evaluates the key factors that affected this return.

VISIT FLORIDA's public marketing spend generated a positive ROI of **3.2**. The ROI was estimated by calculating tax revenues which resulted from the share of visitor spending induced by the state's advertising dollars. A return of greater than 1 means that the tax revenue generated by tourists to the state of Florida more than covers the costs of the state appropriation for VISIT FLORIDA.

Factors that affect this positive return on investment are:

- Tourists purchase many products that are taxable.
- Money generated from the purchase of tourism-related products is generally kept within the local economy.
- The investment in VISIT FLORIDA is relatively low compared to the amount of economic activity generated by tourists.

This ROI 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 the ROI. However, there is at least one factor that is not fully included in the ROI calculated by this report. 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.

OVERVIEW OF VISIT FLORIDA AND ROI

Background and Purpose...
The Florida Tourism Industry Marketing Corporation, which operates under the name VISIT FLORIDA, is a statutorily created direct-service organization (DSO) of Enterprise Florida, Inc. (EFI).[4] It is responsible for executing tourism promotion and marketing services, functions, and programs for the state.[5]

VISIT FLORIDA has been the state's official marketing corporation since 1996. Prior to that, the Legislature created the Florida Commission on Tourism in 1992 to oversee the promotion of the tourism industry for the state. The Legislature declared:

> "It is the intent of the Legislature to establish a public-private partnership to provide policy direction to and technical expertise in the promotion and marketing of the state's tourism attributes…By creating this public-private partnership, it is the intent of the Legislature to coordinate existing private and public-funded tourism promotional activities in a cost-effective manner to avoid waste and duplication in the activities while achieving the maximum public benefit from all expenditures that directly and indirectly support Florida tourism."[6]

After VISIT FLORIDA's creation, the commission contracted with it to carry out the programs and activities identified in the commission's four-year marketing plan.

In 2011, the Legislature consolidated Florida's existing public-private economic development partnerships. Among the changes made by the Legislature, it abolished the Florida Commission on Tourism and created the Division of Tourism Marketing (division) within EFI. The law also directed EFI to contract with VISIT FLORIDA to execute tourism promotion and marketing services for the state.[7] EFI is directed to appoint thirty-one tourism-industry-related members representing all geographic areas of the state to the DSO's Board of Directors. Functioning as division staff, VISIT FLORIDA must develop a four-year marketing plan, which is annually reviewed and approved by the EFI board of directors.[8]

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;

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[4] See s. 288.1226, F.S. Direct-Service Organizations are statutorily created entities, usually required to be non-profit corporations, that are authorized to carry out specific tasks in support of public entities or public causes.
[5] Section 288.923, F.S.
[6] See ss. 288.1221 - 1224, F.S. (2010); Sections 1 -7, ch. 92-299; and s. 49, ch. 96-320, L.O.F.
[7] See ss. 30 and 31, ch. 2011-142, L.O.F., and ss. 288.92 and 288.923, F.S. See also s. 485, ch. 201-142, L.O.F., which repealed the statutory authority for the Florida Commission on Tourism in ss. 288.1221-1224, F.S.
[8] Section 288.923, F.S.

- 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 works to partner with businesses, destinations, and local convention visitor bureaus known as Destination Marketing Organizations (DMOs) throughout the state.[9] Altogether, VISIT FLORIDA has approximately 11,000 tourism industry partners, and its board is comprised of major tourism industry associations.

VISIT FLORIDA engages in cooperative advertising and promotional activities to enhance brand awareness and leverage funds for marketing efforts. In order to participate in cooperative advertising and promotions, partners must make contributions. These matching funds are combined with VISIT FLORIDA's annual appropriation from the state to maximize VISIT FLORIDA's advertising budget.[10] For the years in the review period, VISIT FLORIDA reports they received:

- For FY 2010/11, $26.6m (State) and $57.1m (private);
- For FY 2011/12, $34.9m (State) and $94.3m (private); and
- For FY 2012/13, $54.0m (State) and $108.6m (private).

VISIT FLORIDA Actual Spending by Category and Funding Source

	FY 2010-11		FY 2011-12		FY 2012-13	
	Public	Private	Public	Private	Public	Private
Marketing Expenses	**25,088,195**	**50,230,570**	**32,131,450**	**88,587,072**	**47,264,539**	**101,611,222**
Marketing	2,505,420	266,804	2,680,981	275,192	3,115,867	278,802
Advertising/Internet/Direct Marketing/Brand	17,075,825	15,677,585	23,062,001	20,982,993	36,117,969	24,715,106
Research	576,065	6,052	630,051	6,088	840,551	55,692
Promotions	725,411	33,181,718	1,081,465	66,919,031	1,595,377	76,235,247
Public Relations	607,408	7,500	692,710	2,752	633,615	1,865
New Product Development	277,002	607,402				
Meeting & Events	3,321,064	483,509	3,984,242	401,016	4,961,160	324,510
Visitor Services (Welcome Centers)	**2,927,085**	**97,852**	**2,914,512**	**82,875**	**3,043,997**	**88,460**
Industry Relations & Sale Expenses	**0**	**874,636**	**0**	**852,233**	**0**	**1,037,822**
General & Administrative Expenses	**3,055,112**	**528,080**	**3,318,683**	**551,182**	**3,792,699**	**563,430**
Total Expenses	**31,070,392**	**51,731,138**	**38,364,645**	**90,073,362**	**54,101,235**	**103,300,934**
State Funding	**26,647,961**	**0**	**34,899,209**	**0**	**54,000,000**	**0**
Private Funding	**0**	**57,095,398**	**0**	**94,283,508**	**0**	**108,643,632**
Funding over Expenses (funding less expenses)	**(4,422,431)**	**5,364,260**	**(3,465,436)**	**4,210,146**	**(101,235)**	**5,342,698**
Capital Outlay	(141,253)	**0**	(399,219)	**0**	(2,700,625)	(900,000)
Over/Short (Funding)	(4,563,714)	5,364,259	(3,864,655)	4,210,144	(2,801,858)	4,442,698

VISIT FLORIDA Return on Investment…

VISIT FLORIDA has established several in-house grant programs, such as the Airline Grant Program, but statutorily is only required to administer the Advertising Matching Grant Program and the Minority Convention Grant Program. Both of these grant programs have an annual appropriation of $40,000 per

[9] http://www.oppaga.state.fl.us/profiles/6112/05/ & http://www.visitflorida.org; http://www.visitflorida.org/grants

[10] http://www.visitflorida.org/about-us/

program. The Advertising Matching Grant is a matching grant program with awards of up to $2,500, while the Minority Convention Grant awards may vary by applicant.

VISIT FLORIDA also operates the state's five official Welcome Centers. Four of the Welcome Centers are located along the main interstates leading into the state, and the fifth Welcome Center is located in the state capitol building. The Department of Transportation owns the buildings that house the four highway Welcome Centers, but the centers are staffed and managed by VISIT FLORIDA. The Welcome Centers do not sell a product, but rather provide incoming visitors with information on travel, highways, cities, attractions and the like.

In determining the calculation of VISIT FLORIDA's return on investment, EDR chose to include the spending associated with the two statutorily required grant programs and the Florida Welcome Centers with VISIT FLORIDA's overall spending. Given the size of Florida's economy and the relative size of the appropriations for these programs, an individual ROI for each program was not feasible.

Tourism as an 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. They are classified in accordance with the goods and services they produce. In contrast, tourists purchase goods and services across all industries rather than in one specific industry. To list just a few of the more common areas, tourists purchase from the transportation, accommodation, food and beverage, and retail industries. 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.

For example, The Florida Department of Revenue collects sales tax returns from Florida's retail establishments and each business is classified by the "kind" of business that business operates. The "Tourism and Recreation" category contains the taxable sales of businesses such as hotels and motels, bars and restaurants, liquor stores, photo and art stores, gift shops, admissions, sporting goods, and jewelry stores. In the capture of sales tax data, there is no way to differentiate the sales associated with tourists from that of Florida's residents purchasing the same goods and services. Thus, a major challenge in calculating the economic impact of tourists on the state's economy is the lack of a distinct tourism industry.

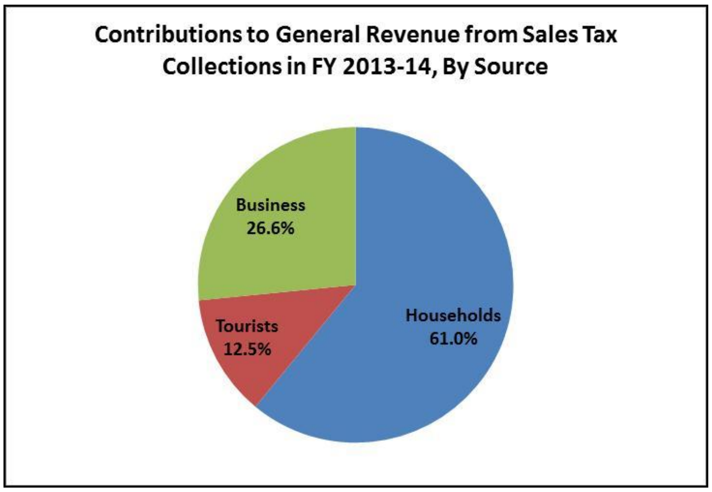
This analysis estimated the additional economic activity (indirect and induced effects) generated by the direct economic activity of tourists visiting the state. For example, tourists staying overnight at a hotel generate income for the hotel (direct). The hotel will then purchase supplies and/or services such as food to feed hotel guests or laundry services to clean the guests' linens. Both of these activities are indirect effects. In addition, hotel employees will spend their paychecks in the economy buying groceries and visiting dining and entertainment establishments. These are induced effects. By including indirect and induced activity, the impact analysis becomes more comprehensive than typical financial impacts developed by state governments.

For the most part, purchases made by tourists are products such as hotel accommodations and entertainment whose inputs to production are sourced locally. Thus, much of the money generated from the purchase of tourism-related products remains in the local economy. Furthermore, many of the products are taxable.

State Revenues in Context…

In an unrelated 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 2013-14, sales tax collections provided $19.7 billion dollars or 75 percent of Florida's total General Revenue collections. Of this amount, an estimated 12.5 percent (nearly $2.5 billion) is attributable to purchases made by tourists.

FY 2013-14 Estimated GR Collections from Sales Tax		
Households	*$12,015.47*	*60.97%*
Tourists	*$2,457.43*	*12.47%*
Business	*$5,234.80*	*26.56%*
Total	*$19,707.70*	



Assuming the same shares applied to Fiscal Years 2010-11 through 2012-13 sales tax collections, slightly less than $6.54 billion of sales tax collections over the period would be attributable to tourists. Of this total for tourism, the ROI analysis shows $245.3 million is attributable to VISIT FLORIDA. Over the period, this is equivalent to 3.7 percent of the tourism-related dollars or one-half of one percent of all state sales tax collections in total. The rest of the sales tax attributed to tourism would be credited to other sources.

Substitution Effect on Resident Spending…

Spending associated with in-state resident tourism is not included in the return on investment analysis. The tangible economic benefits of tourism on the economy are primarily the result of an influx of new spending by out of state visitors.

In-state residents do not generate new spending, rather, in-state resident tourism leads to reduced spending in other sectors of the economy. In other words, residents will substitute limited disposable income of one purchase for another: a day at an amusement park versus a day at a local sporting event.

INDUCING LOCATION DECISIONS BY VISITORS

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. To accomplish this goal, marketing the state and increasing awareness of the state's brand are integral to VISIT FLORIDA's mission.

Marketing requires strategic planning and implementation to bring together buyers and sellers for the mutually advantageous exchange or transfer of products or services. A key component of marketing is advertising.

Advertising is the paid public announcement of a persuasive message, presentation, or promotion by a firm of its products and services to its existing and potential customers. It is the part of marketing that involves getting the word out concerning the business, product, or services offered. Advertising includes the placement of an ad in such mediums as newspapers, magazines, direct mail, billboards, television, film, radio, and the Internet.

For tourism, advertising is designed to provide consumers with the necessary information to differentiate between potential destinations and influence the consumers' overall destination choice(s). Tourism advertising may influence not only a potential visitor's initial choice but also timing and length of stay. Furthermore, tourism is usually a product consumers cannot sample prior to purchase; tourism advertising seeks to assure risk adverse consumers that the destination is a reputable, quality location choice. Lastly, tourism advertising seeks to entice visitors to repeat their destination choices time and time again.

Consumers have many destination choices, and what sets one location apart from others is a strong and clearly defined image or brand. Preferences for particular tourism destinations are largely dependent on the positive perceptions of those destinations. According to Larry Dwyer:

> "The infrastructure in which a country's tourism industry relies, such as its roads, railways, airports and terminals, accommodation facilities, shopping, entertainment, restaurants, currency exchange facilities, telecommunications and so on are major determinants of its overall destination competitiveness including destination 'experience'."[11]

Advertising is one of the most efficient means of conveying the positive images of a destination and ensuring that the brand remains positive in consumers' minds.

The American Marketing Association defines a brand as the "name, term, design, symbol, or any other feature that identifies one seller's goods or service as distinct from those of other sellers." Additionally, "A brand is a customer experience represented by a collection of images and ideas."[12]

What is Florida's brand? What makes Florida unique? Undeniably, one part of the Florida brand is sunshine. The state's nickname is the Sunshine State. It is also Florida's historic cities such as St.

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[11] Dwyer, Larry, Peter Forsyth and Wayne Dwyer, *Tourism Economic and Policy*. (Buffalo, NY: Channel View Publications, 2010), 21.

[12] https://www.ama.org/resources/Pages/Dictionary.aspx

Augustine, the many professional and amateur sporting events from baseball to golf, the state and national parks such as the Everglades, and water sports from boating to bass fishing. With Orlando known as the theme park capital of the world, the Florida brand is also captured in images of Walt Disney World and Florida's other theme parks. Lastly, Florida is known worldwide for its miles and miles of beaches. Negative perception of any one of these components acts to diminish Florida's brand.

The Florida brand is marketed and advertised by many stakeholders which include the state, local governments, private businesses, and theme parks. Additionally, it is marketed from a social media perspective where location reviews, ratings, and word-of-mouth advertising influence the consumers' choices. From the consumer's perspective, it may be that this total combination of tourism promotion is necessary to his or her destination decision.

For the purposes of this analysis, EDR identified those groups whose major marketing efforts have been significant and sustained over time. While many groups and individual businesses help to market the state as a tourist destination, the major contributors discussed below are the most significant in terms of advertising dollars spent. The ROI is based on the state's investment in advertising and the statutory definition of economic benefit. The result reflects the best case scenario for the state's investment given that the major advertising sources referenced do not comprise an exhaustive list.

Local and Private Investments...

Tourism promotion funded by state appropriations may also receive funding from other sources such as local governments, private companies, and Florida's theme parks. VISIT FLORIDA and these other entities, either through contribution to VISIT FLORIDA or through their own promotional activities, spent an estimated $1.37 billion during Fiscal Years 2010-11 through 2012-13 to attract tourists to the state. **See chart below.**

Direct Tourism Advertising Funding by Funding Source by Fiscal Year *

	Local Public	Local Private	Visit FL. Public	Visit FL. Private	Theme Parks	Total
2010-2011	$ 115,563,384	$ 22,168,077	$ 26,647,961	$ 57,095,398	$ 171,024,141	$ 392,498,962
	29.44%	5.65%	6.79%	14.55%	43.57%	100.00%
	Local Public	**Local Private**	**Visit FL. Public**	**Visit FL. Private**	**Theme Parks**	**Total**
2011-2012	$ 138,726,621	$ 22,929,229	$ 34,899,209	$ 94,283,508	$ 176,959,120	$ 467,797,687
	29.66%	4.90%	7.46%	20.15%	37.83%	100.00%
	Local Public	**Local Private**	**Visit FL. Public**	**Visit FL. Private**	**Theme Parks**	**Total**
2012-2013	$ 139,393,315	$ 25,058,354	$ 54,000,000	$ 108,643,632	$ 184,080,826	$ 511,176,127
	27.27%	4.90%	10.56%	21.25%	36.01%	100.00%
	Local Public	**Local Private**	**Visit FL. Public**	**Visit FL. Private**	**Theme Parks**	**Total**
Total for all	$ 393,683,320	$ 70,155,660	$ 115,547,170	$ 260,022,538	$ 532,064,087	$ 1,371,472,776
three years	28.71%	5.12%	8.43%	18.96%	38.80%	

**Not adjusted for beaches*

Local Public…

Fifty-three counties levy the Tourist Development Tax authorized in s. 125.0104(3), Florida Statutes. Whether on their own or through their designated Destination Marketing Organization (DMO), these local governments promote travel destinations, attractions, and events in their areas. Of the estimated $1.37 billion spent on tourism promotion during Fiscal Years 2010-11 through 2012-13, local governments accounted for 28.71% of tourism marketing expenditures ($393.7 million). Several individual DMOs have tourism budgets larger than VISIT FLORIDA's annual state appropriation.

Local and VISIT FLORIDA Private…

Additionally, 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 or promotional activities or another form of contribution. At the local level, private investment is smaller than the local government investment, but at the state level, private contributions accounted for over two-thirds ($260.0 million or 69.2%) of VISIT FLORIDA's total spending ($375.6 million) during the review period.

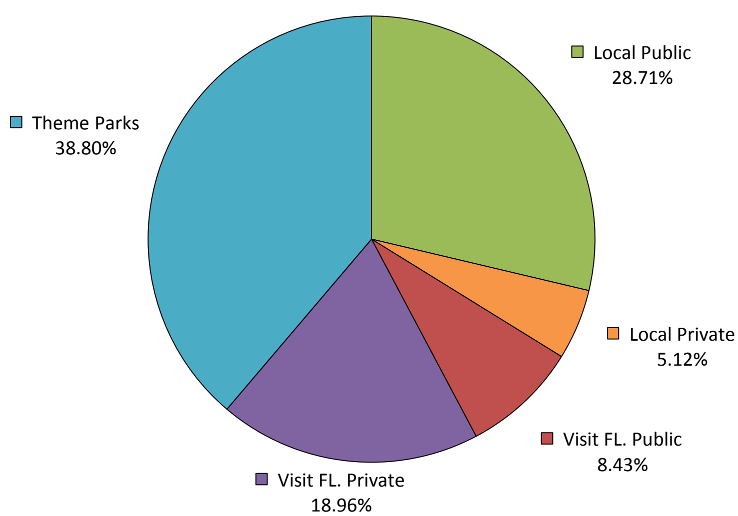
Theme Parks…

Industry estimates indicate that Walt Disney World Resort, Universal Studios Orlando Resort, Sea World, and Busch Gardens bring more than 30 million visitors each year to the state. The companies controlling these parks have a great interest in promoting not only their individual theme parks, but Florida in general. EDR analysis finds that just these three companies – Disney, Universal Studios, and Sea World (which includes Busch Gardens) – are responsible for $532 million in marketing during Fiscal Years 2010-11 through 2012-13, which accounts for 38.80% of all major tourism marketing efforts in the state. This does not include additional dollars that the theme parks provide to both VISIT FLORIDA and local governments.

VISIT FLORIDA…

The state appropriations for VISIT FLORIDA account for only 8.43% 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. The inclusion of state and local spending on investments such as beaches and sports promotion would further weaken this percentage, although they are not traditional forms of advertising.

Total Tourism Advertising Funding Percentage by Funding Source
FY 2010-11 through FY 2012-13



DESCRIPTION OF THE DATA

Data Source and Development of the Universe...

The law requires EDR and OPPAGA to analyze and evaluate VISIT FLORIDA's performance over the previous three years.[13] The report for the first three-year period is scheduled for release January 1, 2015, and includes Fiscal Years 2010-11, 2011-12, and 2012-13. In this regard, VISIT FLORIDA was instructed to provide EDR with visitor data for the three-year review period. International data for calendar year 2013 is based on preliminary estimates.

When available, submitted information includes the number of domestic and international visitors to the state, the amount of visitor spending, and the dollars spent on tourism promotion. Only data related to the three-year review period is considered in the evaluation.

VISIT FLORIDA Data…

VISIT FLORIDA produces two annual publications: the Florida Visitor Study and the Return on Investment Influencer Study. These publications are the primary source for data related to Florida visitor counts and expenditures and are obtained through survey methodology.

"The Florida Visitor Study" evaluates data on the travel patterns of Florida residents and domestic and overseas visitors. VISIT FLORIDA obtains domestic travel data from D.K. Shifflet & Associates,[14] 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 2013 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 having family and friends to visit were also considered. Respondents are allowed to choose multiple influencing items.

Local Government Expenditures…

Data on local government expenditures for tourism promotion were obtained through a survey conducted by EDR. EDR surveyed the 53 counties that levy the Tourist Development Tax authorized in s. 125.0104(3), Florida Statutes, and requested expenditure data for the three fiscal years under review. Respondents were asked to separate public from private funding 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.

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[13] Section 288.0001, F.S., as created by s. 1, ch. 2013-39, Laws of Florida and s. 1, ch. 2013-42, Laws of Florida.

[14] D.K. Shifflet Survey Methodology

Responses were received from representatives of 28 DMOs, including those representing Florida's most popular tourist destinations.

Theme Park Expenditures…

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.

Characteristics of the Universe...

VISIT FLORIDA provided visitor data for four calendar years and budget data for the three fiscal years under review. The state of Florida hosted 354,697,000 visitors during calendar years 2010-2013. As shown in the chart below, domestic visitors accounted for 85.74% of all visitors in that timeframe. Domestic visitors are defined as U.S. visitors not residing in the state of Florida.

Number of Visitors by Calendar Year

	2010	2011	2012	2013
Number of Visitors	82,315,000	87,308,000	91,411,000	93,663,000
Domestic Visitors	71,181,000	74,666,000	77,596,000	78,767,000
International Visitors	11,134,000	12,642,000	13,815,000	14,896,000

The visitor spending for the four calendar years is estimated at $275.4 billion. In 2011, while visitors increased overall, domestic leisure visitor spending decreased 20% as a result of shorter stays and a decrease in spending across the board, mainly related to transportation.

Estimated Spending for Leisure Visitors by Calendar Year

	2010	2011	2012	2013*
Total Expenditures	$ 66,795,289,114	$ 58,795,239,520	$ 72,454,230,000	$ 77,284,704,200
Domestic Visitors	$ 56,145,415,200	$ 44,792,496,320	$ 57,588,930,000	$ 61,199,404,200
International Visitors	$ 10,649,873,914	$ 14,002,743,200	$ 14,865,300,000	$ 16,085,300,000

**Source: VISIT FLORIDA Visitor Study. International data for 2013 is based on preliminary estimates. Spending for domestic visitors is calculated by EDR using the number of visitors x average expenditure per day x average nights per stay for all domestic leisure visitors.*

METHODOLOGY

Broad Approach...

EDR used the Statewide Model to estimate the return on investment for VISIT FLORIDA. The Statewide Model is a dynamic computable general equilibrium (CGE) model that simulates Florida's economy and government finances.[15] Among other things, it captures the indirect and induced economic activity resulting from the direct program effects. This is accomplished by using large amounts of data specific to the Florida economy and fiscal structure. Mathematical equations[16] 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.[17] The model also has the ability to estimate the impact of economic changes on state revenue collections and state expenditures in order to maintain a balanced budget by fiscal year.

When using the Statewide Model to evaluate economic programs, the model is shocked[18] 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 a counter-factual:

- 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 supply arising from that activity. Indirect effects are the changes in employment, income, and output by local supplier industries that provide goods and services to support the direct economic activity. Induced effects are the changes in spending by households whose income is affected by the direct and indirect activity.

All of these effects can be measured by changes (relative to the baseline) in the following outcomes:

- State government revenues and expenditures
- Jobs
- Personal income
- Florida Gross Domestic Product
- Gross output
- Household consumption
- Investment

[15] The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Monash University (Melbourne, Australia).
[16] These equations represent the behavioral responses to economic stimuli – to changes in economic variables.
[17] The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).
[18] 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.

- 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 state 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, and thus the corresponding expenditures, have been excluded from the analysis of the state's investment.

KEY ASSUMPTIONS

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 state 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 any unique value attributed to the cohesiveness of the state's brand (likely a positive adjustment to incorporate) is offset by assuming all commercials and promotional activities are equally effective (would entail a negative adjustment to relax).

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. 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.

SPECIAL NOTE TO KEY ASSUMPTIONS

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 choose to come to Florida. Among the many other reasons, people travel to visit friends and family, compete in sporting events, or to attend business meetings. 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 percent of respondents had previously visited the state.

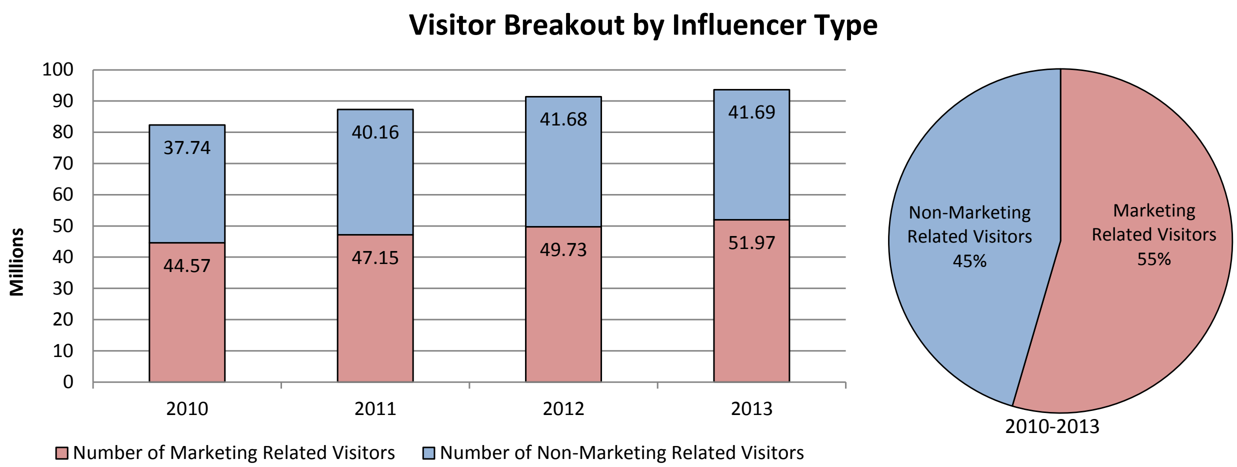
The study asks survey respondents what items influenced their decision to choose Florida as a travel destination. Respondents were given a choice of 19 influencing items, seven of which were determined by EDR to be primarily non-marketing related. Non-marketing related items are highlighted in blue.

VISIT FLORIDA Influencer Study Results 2010-2013

Direct VISIT FLORIDA Influencers	2010	2011	2012	2013
VISIT FLORIDA Website	4.8%	5.1%	5.1%	4.5%
A Stop at an Official Florida Welcome Center on a previous trip to Florida	3.9%	4.7%	4.6%	4.7%
A VISIT FLORIDA publication	3.9%	4.1%	3.7%	4.2%
VISIT FLORIDA social media	n/a	n/a	3.7%	3.8%
VISIT FLORIDA radio, TV, online, magazine/newspaper ad, not destination specific	n/a	4.6%	3.5%	4.1%
VISIT FLORIDA TV advertising, not for a specific destination	3.5%	n/a	n/a	n/a
VISIT FLORIDA magazine/newspaper advertising, not for a specific destination	3.4%	n/a	n/a	n/a
VISIT FLORIDA radio advertising, not for a specific destination	2.1%	n/a	n/a	n/a
A sweepstakes/contest by VISIT FLORIDA heard or seen on radio, TV, or online	2.0%	3.0%	2.9%	2.9%
Other Influencers	**2010**	**2011**	**2012**	**2013**
A previous trip to Florida	13.5%	13.3%	14.4%	12.9%
Have family or friends to visit	11.6%	10.8%	10.7%	10.2%
Any advertising for a specific FL theme park	8.0%	6.7%	6.5%	6.7%
Information from the Internet other than VISIT FLORIDA	7.7%	6.8%	6.4%	6.1%
A hobby, pastime, or passion followed (golf, nature, small towns, spring training)	6.0%	5.8%	5.9%	6.4%
Information about special events or festivals in FL	5.4%	5.5%	5.6%	5.0%
Any advertising for a specific FL location , excluding theme parks	6.4%	5.4%	5.3%	5.3%
A travel article in a newspaper or magazine about a FL vacation experience	4.6%	5.0%	4.6%	4.3%
Any information from social media	n/a	4.5%	4.0%	4.8%
The vacation in Florida was in connection with a cruise using FL port	3.8%	4.1%	4.0%	4.3%
The recommendation of a travel agent	3.7%	3.5%	3.1%	3.5%
Brochures obtained at consumer trade shows	2.9%	3.5%	3.0%	3.3%
Went on a business trip that was extended into a vacation	2.5%	3.4%	2.9%	2.8%
Marketing Related Influencers	**54.1%**	**54.0%**	**54.4%**	**55.5%**
Non-Marketing Related Influencers	**45.9%**	**46.0%**	**45.6%**	**44.5%**

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 54.5 percent of visitor responses and non-marketing related influencers accounted for approximately 45.5 percent of visitor responses in 2010-2013.

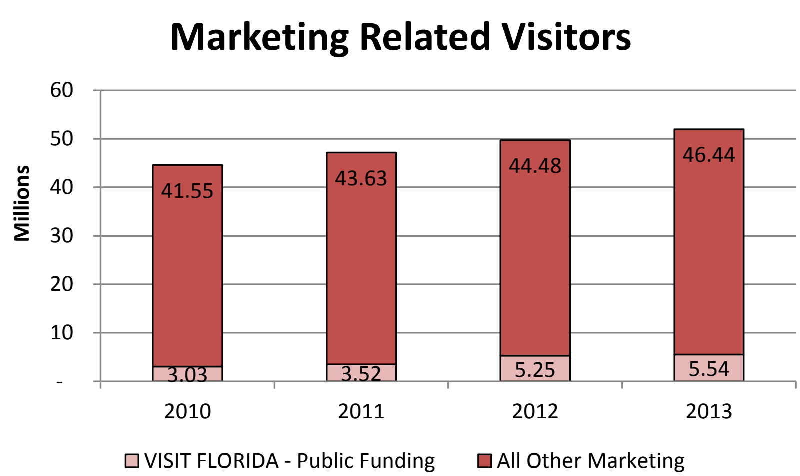
The percentages of marketing and non-marketing related influencers were applied against the total visitor count (see chart on page 11) reported for the state for each year.



The breakout of visitors is shown in the chart above with marketing-related visitors shown in red. The non-marketing related visitors were removed from the Return on investment analysis as it was deemed that these visitors would have come to the state regardless of marketing, and advertising was not the primary factor in the visitors' destination decision. This includes visitors who primarily visit Florida to attend sporting events, like those associated with the Florida Sports Foundations' efforts.

Overall, marketing efforts accounted for 55 percent of visitors to Florida during the review period, but 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. 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 (See chart on page 8).



As a share of total tourism advertising spending, VISIT FLORIDA is responsible for approximately 3.03, 3.52, 5.25, and 5.54 million visitors during calendar years 2010, 2011, 2012, and 2013 respectively. The remaining 38 million plus marketing related visitors are credited with being 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.

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

	2010	2011	2012	2013
Total Visitors	**3,026,223**	**3,517,526**	**5,253,559**	**5,535,254**
Domestic Visitors	2,616,893	3,008,196	4,459,586	4,654,936
International Visitors	409,330	509,330	793,974	880,317
Total Spending	**$ 2,173,112,344**	**$ 2,110,621,364**	**$ 3,663,875,345**	**$ 3,992,137,253**
Domestic Spending	$ 1,784,930,636	$ 1,543,325,126	$ 2,809,539,035	$ 3,041,535,485
International Spending	$ 388,181,709	$ 567,296,238	$ 854,336,310	$ 950,601,768

In addition to developing the return on investment for VISIT FLORIDA, EDR has been tasked with identifying the strength of the relationship between Florida's beaches and the state's attractiveness as a tourism destination, including the impact on the state's brand.

As stated on page 7, there are many aspects to the state's brand. From beaches and state parks to theme parks and sporting events, Florida provides tourists with a variety of enticing attractions. These features naturally have varying degrees of attractiveness to visitors.

In order to evaluate the relationship between Florida's beaches and the state's attractiveness as a tourism destination and the impact on the state's brand, EDR surveyed the various local governments that levy the Tourist Development Tax authorized in s. 125.0104(3), Florida Statutes, or their respective DMO. Respondents were 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. Responses were received from representatives of 28 DMOs, including those representing Florida's most popular tourist destinations. Due to limited responses and limited activities in certain counties, only the top three activities were considered.

The rankings were then quantified by giving 3 points to each primary feature, 2 points to each secondary feature and 1 point to each tertiary feature. This accounts for the attractiveness of activities within each area, but does not consider that each geographic area draws in a different number of tourists. Tourist counts were unavailable for the exact areas of the respondents. The count of motel and hotel rooms in each county, however, is available from the Department of Business and Professional Regulation (DBPR) and serves as a reasonable proxy to the number of visitors.

Weighting the previously quantified rankings by the number of accommodations in each area provides a measure with which each feature can be ranked over all geographic areas. Taking each measure as a percent of the total provides a strong concept of the state's brand and each feature's contribution to it. The results are shown in the table on the following page.

Features of Florida that Attract Tourists

Feature	Portion of State Brand
Beaches	25.5%
Theme Park	24.3%
Retail/Dining/Nightlife	21.8%
Outdoor Recreation	7.1%
Access to International Ports or Airports	6.7%
Sports	6.0%
Festivals	4.3%
Parks/Natural Site	2.7%
Historical Significance	1.6%
Film Induced Tourism	0.0%

Source: EDR analysis of self-conducted survey results

The results indicate that beaches are the most important feature of Florida's brand, and it is the strongest in terms of attracting tourists. The beaches are followed closely by theme parks and retail, dining and nightlife, after which there is a significant drop to the remaining six features. Most visitors do not engage in only one feature, however, and it is a combination of features, or the state's brand as a whole, that draws tourists to Florida.

This analysis assumes that beach restoration is essential to maintaining Florida's brand. 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 their existence. During calendar years 2010-2013, it is estimated that roughly 20 percent of all domestic visitor tourism spending was attributable to the existence of beaches. 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.

To gauge the number of visitors who visit Florida's beaches as a result of marketing efforts, EDR applied the percentage of beach spending (roughly 20 percent in each year) to the number of marketing and non-marketing related visitors.

	2010	2011	2012	2013	Total
Number of Marketing Related Visitors	44,573,368	47,149,798	49,731,373	51,974,211	193,428,751
Number of Non-Marketing Related Visitors	37,741,632	40,158,202	41,679,627	41,688,789	161,268,249
Domestic Beach Spending Activity %	20.53%	20.16%	19.60%	20.66%	
Number of Marketing Related Beach Visitors	9,149,700	9,505,143	9,746,133	10,740,016	39,140,992
Number of Non-Marketing Related Beach Visitors	7,747,331	8,095,675	8,168,187	8,614,623	32,625,816
Total Beach Visitors	**16,897,031**	**17,600,817**	**17,914,320**	**19,354,639**	**71,766,808**

During the review period EDR estimated that 39.1 million visitors visited Florida's beaches as a result of some form of marketing (state, local, private, etc). Given that EDR's survey results indicate that Florida's beaches are the most important feature of the state's brand and the strongest in terms of attracting tourists, EDR assumed that the beach brand itself was responsible for attracting visitors to the state. As such, spending associated with those visitors could not be attributable directly to VISIT FLORIDA's marketing efforts.

In order to calculate the spending of beach visitors attributable to Florida's beach branding, EDR used the state's investment in beach restoration as a proxy of the state's value of the beach as a brand. This value was estimated to be between 5.34-8.70 percent of total marketing-related expenditures, depending on the year during the review period.[19] The dollars produced by this percentage were proportionally subtracted from total visitor spending attributable to VISIT FLORIDA's public marketing spend. The result is the total tourism spending that EDR attributed to VISIT FLORIDA's public marketing efforts during the review period. This spending was then used the in the Statewide Model to determine the ROI for VISIT FLORIDA.

Total Tourism Spending Attributable to VISIT FLORIDA's Public Marketing Spend by Year

	2010	2011	2012	2013
Total Visitors	**3,026,223**	**3,517,526**	**5,253,559**	**5,535,254**
Domestic Visitors	2,616,893	3,008,196	4,459,586	4,654,936
International Visitors	409,330	509,330	793,974	880,317
Total Spending	**$ 2,173,112,344**	**$ 2,110,621,364**	**$ 3,663,875,345**	**$ 3,992,137,253**
Domestic Spending	$ 1,784,930,636	$ 1,543,325,126	$ 2,809,539,035	$ 3,041,535,485
International Spending	$ 388,181,709	$ 567,296,238	$ 854,336,310	$ 950,601,768
Less Beach Spending Attributable to Beach Restoration	$ 188,993,133	$ 175,109,352	$ 187,321,597	$ 213,285,303
Total Spending Attributable to VISIT FLORIDA Public Marketing Spend	$ 1,984,119,212	$ 1,935,512,012	$ 3,476,553,749	$ 3,778,851,951

[19] This percentage was calculated by using beach restoration dollars as a share of total marketing funds, treating state, local, and federal beach investment separately. The result was applied to the total number of marketing related beach visitors to calculate the expenditures associated with those visitors.

PROGRAM FINDINGS

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 program 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 2009 $(M)) – Total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2009 $(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 2009 $(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 2009 $(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, includes survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

Statewide Economic Model Impact of VISIT FLORIDA

	2010 - 11	2011 - 12	2012 - 13	Total
State Payments in the Window $ (M)	26.6	34.9	54.0	**115.5**
Total Net State Revenues $ (M)	86.8	120.5	166.1	**373.4**
Return-on-Investment by Year	3.3	3.5	3.1	
Return-on-Investment for the 3 year period				**3.2**

		2010 - 11	2011 - 12	2012 - 13	Total		Average per Year
Personal Income	Nominal $ (M)	2,711.3	3,827.2	5,178.1	**11,716.6**		**3,905.5**
Real Disposable Personal Income	Fixed 2009 $ (M)	2,321.4	3,194.1	4,265.2	**9,780.8**		**3,260.3**
Real Gross Domestic Product	Fixed 2009 $ (M)	2,745.0	3,699.4	4,878.4	**11,322.7**		**3,774.2**
Consumption by Households and Government	Fixed 2009 $ (M)	2,260.6	3,195.1	4,273.8	**9,729.5**		**3,243.2**
Real Output	Fixed 2009 $ (M)	3,472.9	4,582.2	6,034.1	**14,089.2**		**4,696.4**

		2010 - 11	2011 - 12	2012 - 13	Minimum	Maximum	Average per Year
Total Employment	Jobs	19,772	25,473	31,589	***19,772***	31,589	**25,611.3**
Population	Persons	1,824	5,680	11,328	***1,824***	11,328	**6,277.3**

Analysis and Findings…

During the years that comprise the review period, VISIT FLORIDA is primarily responsible for bringing 17,332,562 visitors to the state of Florida. These visitors accounted for $11.2 billion in total spending while in the state.

The return on investment for VISIT FLORIDA's marketing and promotion services is 3.2. The economic activity associated with the new spending and jobs generated an increase in state revenues of $373.4 million over the period. In addition to the new revenues to the state, Florida's economy also benefited. Jobs resulting from the tourism expenditures generated an average of $3.3 billion a year in inflation-adjusted disposable personal income or 0.0414 percent of the state's total and nearly $3.8 billion a year in real gross domestic product or 0.0476 percent of the state's total.

Conclusion…

Several factors contribute to the overall ROI for the program. Tourists primarily 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. 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 $373.4 million, sales and use tax accounted for $245.3 million or nearly 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.

Lastly, the state’s investment in VISIT FLORIDA is relatively low compared to the amount of economic activity generated by the tourists.

The projected ROI reflects the best case scenario for VISIT FLORIDA given that the major advertising sources (local governments, private businesses, and theme parks) are not the only sources of tourism advertising for the state. It is impossible to determine the total amount of advertising dollars spent to promote tourism in a given year and inclusion of any further funding sources would only serve to reduce VISIT FLORIDA’s ROI.

If the state were to reduce or eliminate funding for VISIT FLORIDA, the result would not necessarily be an immediate reduction in tourism by VISIT FLORIDA’s share of funding. Rather, any reduced tourism would like occur over time. It is unknown whether and to what extent the other major advertising sources might increase advertising spending to keep the overall level of funding the same.

In summary, the state invested $115.5 million dollars in VISIT FLORIDA during the review period resulting in an increase in GDP of $11.3 billion which then increased overall collection in state revenues by $373.4 million.

APPENDIX ONE

D.K. Shifflet & Associates Ltd. Research Methodology

D.K.Shifflet & Associates' (DKSA) TRAVEL PERFORMANCE/MonitorSM is a comprehensive study measuring the travel behavior of US residents. DKSA contacts 50,000 distinct U.S. households monthly and has so since 1991. DKSA is able to provide current behavior and long term trended analyses on a wide range of travel.

DKSA data are collected using an online methodology employing KnowledgePanel®, an address based sample panel offered by Knowledge Networks. The sample is drawn as a national probability sample and returns are balanced to ensure representation of the U.S. population according to the most recent U.S. Census. Key factors used for balancing are Origin State, Age, Income, Education, Gender, Ethnicity/Race and Return Rates. The Knowledge Networks sample is used to create benchmark weights which are applied to surveys returned from other managed panels used by DKSA.

Both traveling and non-traveling households are surveyed each month enabling DKSA to generate the best estimate of travel incidence (volume) within the total U.S. population. Among those who have traveled (overnight in the past three months, and daytrips in the past month) details of their trip(s) are recorded for each month. This overlapping, repeating monthly approach boosts the observed number of trips for each travel month and controls for seasonality and telescoping biases.

"Travel" is defined as either an overnight trip defined as going someplace, staying overnight and then returning home or as a day trip defined as a place away from home and back in the same day. Respondents report travel behavior for each stay of each trip; an approach that enhances reporting for specific travel events, activities and spending.

A wide variety of general travel information is collected including travel to destinations at a city level, hotel stayed in, purpose of stay and activities, expenditures, mode of transportation, party composition, length of stay, travel agent and group tour usage, satisfaction and value ratings, and demographics, including origin markets.

Several questions are asked as open-ends to ensure that the responses are not influenced by a pre-listed set of response categories. Each respondent identifies the actual destination visited with an open-end response. This is particularly significant for obtaining accurate data for smaller cities and counties and representing total travel. This increases time and expense to accurately capture these responses, but quality requires it.

Extensive coding lists are updated regularly to ensure that all data is recorded accurately. DKSA's Quality control committee conducts bimonthly meetings to review survey results and examine methods to maintain and improve quality control.

About DKSA

D.K. Shifflet & Associates Ltd. is the leading U.S. consumer travel research firm. DKSA is located in McLean, VA and has, for the last 27 years, provided the Industry's most complete consumer based travel data on U.S. residents and their travel worldwide. Their clients include destination marketing organizations, theme parks, credit cards, auto clubs, hotel chains and more.

OFFICE OF ECONOMIC
& DEMOGRAPHIC RESEARCH

Return on Investment for the Florida Sports Foundation Grants and Related Programs

Florida Sports Foundation Grant Program
Professional Sports Franchise Incentive
Spring Training Baseball Franchise Facility Incentive
Professional Golf Hall of Fame Facility Incentive
International Game Fish Association World Center

January, 2015
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EXECUTIVE SUMMARY

Background and Purpose...

Recently enacted legislation directs the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) to analyze and evaluate 18 state economic development incentive programs on a recurring three-year schedule.[1] EDR is required to evaluate the "economic benefits" of each program using project data from the most recent three-year period and to provide an explanation of the model used in its analysis and the model's key assumptions. "Economic Benefit" is defined as "the direct, indirect, and induced gains in state revenues as a percentage of the state's investment" – which includes "state grants, tax exemptions, tax refunds, tax credits, and other state incentives."[2] EDR's evaluation also requires identification of jobs created, the increase or decrease in personal income, and the impact on state Gross Domestic Product (GDP) for each program.

In 2014, EDR and OPPAGA reviewed seven programs over Fiscal Years 2009-10, 2010-11, and 2011-12.[3] This review period covers Fiscal Years 2010-11, 2011-12 and 2012-13, and includes the following sports-related programs:

- Florida Sports Foundation (FSF) Grant Program;
- Professional Sports Franchise Incentive;
- Spring Training Baseball Franchise Incentive;
- Professional Golf Hall of Fame Facility Incentive; and
- International Game Fish Association (IGFA) World Center Facility Incentive.[4]

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:

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

[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] EDR's report can be found @ http://edr.state.fl.us/Content/special-research-projects/economic/EDR%20ROI.pdf
[4] Three additional "programs" scheduled for review are not evaluated in this report. The Food and Beverage Concession and Contract Awards to Minority Business Enterprises (s. 288.1167, F.S.) and the Homeless Shelter Designation of Sports Facilities (s. 288.11666, F.S) were not reviewed because there they do not generate tax revenues for the state. Motorsports Entertainment Complex (s. 288.1171, F.S.) was not reviewed because the program did not have any recipients or costs during the study window.

Since EDR's Statewide Model[5] 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.

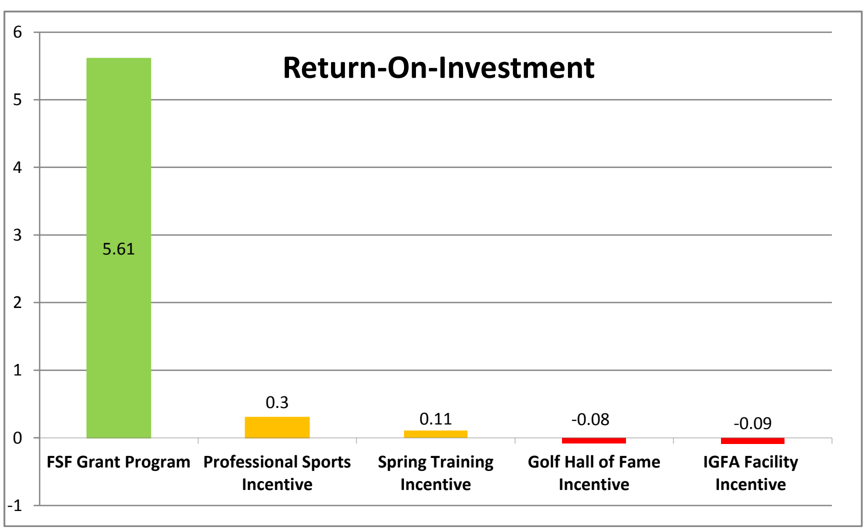
As used by EDR for this analysis, the returns can be categorized as follows:

- **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.
- **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, an ROI of 2.5 would mean that $2.50 in tax revenues is received back from each dollar spent by the state.

Overall Results and Conclusions...

As can be seen in the graph below, the ROI for the various sports-related programs ranged from 5.61 to -0.09. The only program with a ROI of greater than one was the Florida Sports Foundation (FSF) Grant Program. There are a number of distinguishing traits between the FSF Grant Program and the other programs.



First, FSF grants fund sporting events rather than finance sporting facilities, and the grants are relatively small relative to the facility subsidies. The average grant amount within the time period under review was approximately $15,000. The events funded by the grants generated an estimated 238,395 out-of-

[5] See section on Methodology for more details.

state visitors to Florida. While events held in facilities funded by the Professional Sports Franchise Incentive brought in more out-of-state visitors, the higher costs of the program adversely impacted the ROI. Facility construction is expensive. The latest professional sports arena built in Florida cost upwards of $450 million, and the state incentive committed $2 million a year for the next 30 years to help subsidize its construction cost. The FSF grant program spent a total of around $2 million for all three fiscal years in the study window. The lower awards of FSF compared to the other programs is a significant factor in its higher ROI.

Second, events funded through the FSF program attract more out-of-state participants and visitors than in-state participants and visitors by design. The FSF grant program was the only program in the review period to have more out-of-state visitors than in-state visitors. This contributed to its higher ROI. For Professional Sports, Golf Hall of Fame and IGFA Museum, the estimated out-of-state visitors were less than 20% of the total visitors to these facilities. Because in-state visitors would have spent the money elsewhere ("the substitution effect"), they do not contribute to the program's ROI[6].

Third, the FSF grant program funds single sporting events that will occur in the near future. This allows the FSF to more accurately estimate the economic impact of these sporting events, as well as to adjust the grant amount accordingly. For the other incentive programs, the state commits itself for 10, 15 or 30 years. This is problematic, because the long-term economic impacts of these sport teams or museums are far from clear when the initial evaluation is made. Among other things, economic performance can be driven by the team's record, which can fluctuate annually. In addition, changing consumer preferences regarding entertainment can affect attendance at sporting events and museums. One professional sport team within the window left the incentivized facility, and the state is still paying the $2 million to the facility operators.

Finally, the ROI did not take into account any intangible benefits associated with the professional sports and spring training programs. Intangible benefits can include increase in community pride and media exposure of Florida areas from televised sporting events. While these benefits likely exist, they are difficult to include in the ROI calculation.

[6] The ROI did not take into account any intangible benefits associated with these programs. Intangible benefits can include increase in community pride and media exposure of Florida areas from televised sporting events.

OVERVIEW OF ECONOMIC DEVELOPMENT INCENTIVES AND ROI

The basic formula for Return on Investment (ROI) is always calculated in the same manner, but the inputs used in the calculation can differ depending on the needs of the investor. Florida law requires the "return" to be measured from the state's perspective as the investor, in the form of state tax revenues. In this regard, the ROI is ultimately shaped by the state's tax code. For example, all other factors being equal, if Florida had a personal income tax, the ROI for each incentive program would increase from the additional tax revenues.

All of the issues below shape EDR's calculation of ROI. Some of them are further addressed in the assumptions, methodology, and findings.

Role of Incentives...

Generally, the goal of economic development by local, state, or national government is to expand economic activity, primarily through capital investment and the creation of new job opportunities – preferably at competitive-to-above-average wages, thereby increasing the state's standard of living for its residents. This new economic activity creates new wealth, which when spent in the economy, induces the creation of additional jobs. To the extent this economic goal is achieved, the tax base is expanded and governments realize an increase in tax revenues.[7]

Intuitively, it is easy to see why local governments invest in economic incentives to individual businesses. Any action that benefits or increases the standard of living within a local jurisdiction – even if it causes harm to its neighbors – would be reasonable. It is much harder to accomplish this type of economic development (as opposed to generic investments in public infrastructure and Florida's overall business climate) at the state level where government should be neutral between competing in-state areas and has to take both winners and losers into account. In effect, the state becomes a single economic region, and the focus is generally on attracting new business to the state.

From the business perspective, incentives are public resources that reduce capital or operating costs. From an economic development organization's (EDO) perspective, incentives help sites overcome deficiencies or mitigate weaknesses relative to other sites. In regard to the programs discussed in this report, the state and local authorities have to compete with other states in attracting or retaining a sports team or sports museum. To do this, the state and local authorities offer financial assistance for the construction or renovation of a facility. The facility is defined as a stadium, arena, ballpark, or a sports-related museum.

Classification of Incentives...

Economic development incentives may be provided by any level of government. The various forms an incentive can take are wide-ranging, including everything from grants, loans, and tax relief, to regulatory breaks and technical assistance. There are a number of ways these incentives may be classified. For the purposes of this analysis, only Direct Financial Incentives, such as grants, appear to be relevant.

[7] There may also be complementary policy goals to address poverty or economic self-sufficiency for disadvantaged persons or to promote environmental objectives; however, achievement of these goals would not be fully captured by the Return on Investment measure. To the extent they exist, that information would be addressed by OPPAGA's portion of the analysis.

Direct financial incentives provide monetary assistance to businesses from the state or through a state-funded organization. The assistance is provided through grants, loans, equity investments, loan insurance, and guarantees. These awards usually give flexibility to the recipient regarding the specific use of the grant within the scope of its business operations, but they can also be targeted to areas such as workforce training, market development, modernization, and technology commercialization activities.

The state offers many incentive programs; however, only five are under review in this report:

- Florida Sports Foundation Grant Program;
- Professional Sports Franchise Facility Incentive;
- Spring Training Baseball Franchise Facility Incentive;
- Professional Golf Hall of Fame Facility Incentive; and
- International Game Fish Association World Incentive.

The Florida Sports Foundation Grant Program is clearly a "Direct Financial Incentive," as defined above.

The remaining four programs operate slightly differently; however they are still grants to the recipients. This is because the recipients are not actually required to collect at least the amount of sales taxes they will receive in the annual sales tax distribution. To qualify for the annual award, three of the programs require applicants to submit "an independent analysis or study…which demonstrates that the amount of the revenues generated" by sales and use taxes by the facility or project "will equal or exceed" the annual award, but there is no calibration after the fact. Similarly, the Spring Training Baseball Franchise Facility incentive requires identification of projected "local and state tax collections" to be used in evaluating competing applications, but there is no further link once the application is approved. Effectively, using a specified distribution from state sales tax contributions is just another form of appropriating a direct grant.

Local Incentives...
In all but one of the facility construction programs, local governments contributed to the project funding. Sporting events that received grants from the Florida Sports Foundation also received grants from local sport commissions. For the other programs, these local sources financed a majority of the construction of the sport facilities that the state programs also helped fund. For the purposes of this analysis, EDR split the out-of-state visitors between the state and the local funding sources.

"But For" Requirement…
Economic development incentives are public subsidies intended to induce an economic activity or capital investment by a private business in a jurisdiction in which such activity or investment would not otherwise take place. The necessity of offering such incentives has been the subject of much research.

Some incentive proponents assert that "but for" the incentive, business expansions or relocations would not have occurred in their area – the incentive is the primary or the determining factor in business locational decisions. Site selection and economic development professionals claim that incentives may "tip the scales" between competing sites when all other factors are relatively equal.

Evaluating the extent to which economic development incentives are determinative in business location decisions is challenging. Survey research is instructive but may be unreliable, principally due to the unavoidable self-interest of respondents. The studies commissioned by various states identify the problems in verifying that the “but-for” condition is satisfied. While econometric studies show, to some extent, the relationships between incentives and business behavior, there is some skepticism in the academic community regarding their usefulness and applicability. Finally, a review of the academic literature reveals a lack of consensus on the degree of influence that incentives have on business locational decisions, with one researcher concluding that “there are very good reasons – theoretical, empirical, and practical – to believe that economic development incentives have little or no impact on firm location and investment decisions.”[8]

The “but for” assertion is less likely to be satisfied for those projects where the incentive is relatively insignificant in proportion to relocation, capital investment, production or operating costs, or where a project is otherwise dependent on in-state markets or resources.

As for the determinative value of the programs under review, four of the five programs provided a significant share of the financing of the facility. It is likely that if both the state and locals did not heavily subsidize the cost of the facility, the participating organization would have found another location.

Treatment as a Subsidy...

Economic development is facilitated by investments in public infrastructure, expansion of certain public services, or through the provision of economic development incentives to the business sector. These incentives are public subsidies intended to induce an economic activity or capital investment by a private business in a jurisdiction in which such activity or investment would not otherwise take place. From an economic perspective, a “subsidy” is:

> “.. a grant of money made by government in aid of the promoters of any enterprise, work, or improvement in which the government desires to participate, or which is considered a proper subject for government aid, because such purpose is likely to be of benefit to the public.”[9]

Generally, economic development subsidies are an investment of public resources (whether budgeted or from foregone revenue) with an anticipated ROI to the public treasury, as well as an indirect benefit to the general public. While subsidies still constitute a monetary transfer from the class of general taxpayers to individual businesses, such transfers are intended to expand the state’s economic infrastructure and wealth-creation capacity.

Even though subsidies can be used to accomplish specific policy goals, they cause market distortions which result in inefficiencies and inequalities in the marketplace. This outcome forces decision-makers to weigh the negative repercussions of incentives against the benefits associated with the underlying goal. It also makes periodic, in-depth evaluations critical to the use of incentives.

Economic literature is fairly uniform in its assessment of potential repercussions. First, to the extent that subsidies are influential or determinative in business decisions, they can:

- decrease risk in the marketplace, thereby distorting economic decision making by businesses;
- shift capital from more profitable uses in the private sector; and
- foster inefficient projects that may not survive absent the subsidy.

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[8] Alan Peters and Peter Fisher, “The Failures of Economic Development Incentives” *Journal of the American Planning Association*, Vol. 70, No. 1 (Winter 2004): 32.

[9] Black’s Law Dictionary, 5th Edition, 1999.

Second, regardless as to whether subsidies are influential or determinative in business decisions, they can:

- distort the marketplace by artificially lowering production costs;
- shift business costs from the private sector to the public sector, as economic incentives—like all government expenditures—are funded through taxes;
- create inequities among similar industries and firms within the state; and
- divert public resources from spending on other public goods and services, which may be more productive uses of the funds.

To the extent that market distortions exist, the ROI may be overstated.

Substitution Effect on Event Spending…

There is consensus among economists that the only tangible economic benefits to the area economy from subsidies for professional and amateur sporting events, or a unique sports-destination facility, are the result of new spending in the area economy associated with the events.[10] This new spending is primarily by visitors from out-of-area, to the extent that such spending would not have otherwise occurred absent attending the event; however, it can also include capital expenditures.

New spending specifically excludes "substitute" spending by in-area residents, "casual visitors" or "time-switchers" whose primary purpose for visiting is unrelated to the event. In these cases, the same amount would have been spent, and the spending related to the sports events is simply redirected from what would have occurred absent the event. This is referred to in the literature as "the substitution effect." It is best described as spending limited disposable entertainment income in or about the sports facility rather than in other areas of the local economy, or increases in discretionary spending in one area of the economy at the expense of another.

DESCRIPTION OF THE DATA

Data Sources and Development of the Universe...

The law requires EDR and OPPAGA to analyze and evaluate the specified incentive programs' performance over the previous three years.[11] This report is scheduled for release January 1, 2015, and includes Fiscal Years 2010-11, 2011-12, and 2012-13. There were two primary sources of information for the five programs under review: The Florida Sports Foundation and the Florida Department of Revenue for sales and use tax distributions. Surveys, impact studies and documents related to bonding of sports facilities supplemented this information. Detailed information is provided in the Program Findings; however, only data related to the three-year review period is considered in the evaluation.

[10] See the Literature Review in Appendix Two for a discussion of this issue.

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

METHODOLOGY

Broad Approach...
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.[12] Among other things, it captures the indirect and induced economic activity resulting from the direct program effects. This is accomplished by using large amounts of data specific to the Florida economy and fiscal structure. Mathematical equations[13] 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.[14] The model also has the ability to estimate the impact of economic changes on state revenue collections and state expenditures in order to maintain a balanced budget by fiscal year.

When using the Statewide Model to evaluate economic programs, the model is "shocked"[15] using static analysis to develop the initial or direct effects attributable to the projects funded by the incentives. In this analysis, the direct effects are the changes in demand across Florida industries caused by expenditures from out-of-state visitors or construction attributed to the programs. Out-of-State expenditures were calculated from an estimate of out-of-state visitors associated with the program, daily expenditure amounts from the visitors and the expected duration of each visit. If not otherwise stated in the Program Findings, VISIT FLORIDA average daily expenditures for domestic visitors and average duration of stay were used. To distribute the daily expenditures into the model, the analysis used VISIT FLORIDA's spending breakdown for domestic visitors. The breakdown distributed the expenditures into 5 categories: Retail, Lodging, Food & Beverage, Transportation and Entertainment. Taxable ticket sales to the sporting events were not separately estimated as ticket sales are captured in the Entertainment expenditure category.

For all programs, the combined annual direct effects ("shocks") took the form of:

- Removal of the incentive payments from the state budget, with a corresponding award to businesses as subsidies to production.
- Capital investments related to the program.
- Increased demand based on out-of-state visitor expenditures.

The model was then used to estimate the additional—indirect and induced—economic effects generated by the programs, as well as the supply-side responses to the new activity, where the supply-side responses are changes in investment and labor demand arising from the new activity. Indirect effects are the changes in employment, income, and output by local supplier industries that provide

[12] The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Victoria University (Melbourne, Australia).
[13] These equations represent the behavioral responses to economic stimuli to changes in economic variables.
[14] The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor demand).
[15] 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.

goods and services to support the direct economic activity. Induced effects are the changes in spending by households whose income is affected by the direct and indirect activity.

All of these effects can be measured by changes (relative to the baseline) in the following outcomes:

- State government revenues and expenditures
- Jobs
- Personal income
- 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 state product, all of which are included in the model results.

KEY ASSUMPTIONS

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.

- The analysis assumes that state incentives were the determining factor in the sports program, sporting event, or museum's location decisions, provided the program was designed to attract or retain sport-related activity to the state.
- The analysis assumes all data provided by Florida Sports Foundation, Department of Revenue and other entities was complete and accurate. The data was not independently audited or verified by EDR.
- The analysis assumes that given the time span under review, applying discount rates would not prove material to the outcome.
- The analysis treats all grants, distributions or license plate revenues as a loss to the state's General Revenue Fund.
- The analysis assumes that any expenditure made for incentives 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.
- The analysis assumes the relevant geographic region is the whole state, not individual counties or regions. The Statewide Model does not recognize that any economic benefit arises from intrastate relocation. However, 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.
- The analysis assumes that businesses treated the incentives as subsidies. The subsidies lowered the cost of operation for each individual firm.
- The analysis assumes distribution of capital purchases by each business was the same as the industry in which it operates. This assumption was made because data was not available regarding the specific capital purchases associated with each project. It is also assumed that the businesses within a program were not large enough to affect the rate of return on capital within the industries in which the businesses operated.
- The analysis assumes that the demand created by the sport or sport-related event from out-of-state visitors did not displace the demand for goods and services of existing Florida businesses. To do this, demand associated with the events was assumed to be from the rest of the world. The "rest of the world" is defined as other states or the international market.

- The analysis assumes that ticket sales to the sporting events and museums are captured by the VISIT FLORIDA visitor expenditure breakdown for out-of-state visitors. For in-state attendees, the analysis assumes that the tax associated with ticket purchases would have been collected on the alternative or substitute purchases, and there is no net gain to the state.

- The analysis assumes that all events not associated with the professional sports team, spring training team or bowl games that were hosted in those facilities could have been hosted elsewhere in the region. Therefore, these events were not included in the analysis.

- The analysis assumes that when the financing responsibilities for facilities or events are shared, the economic benefit should be proportionately attributed among the public contributors based on the amount each source contributes (see Appendix One).

- The analysis did not take into account costs other than stadium financing or grant assistance. These costs include long-term maintenance and operation costs, infrastructure and land costs, or foregone property taxes usually borne by the local authorities for stadiums, arenas and ballparks. At the amateur level, local sport commissions host or help host the events. These costs were not included because of the lack of available data or the non-monetary nature of the assistance. It is likely that the split overestimates the state share of these sporting events.

PROGRAM FINDINGS

In the pages that follow, each incentive program is preceded by diagnostic tables describing the composition and statistics of the projects under review. Key terms used in the tables are described below:

Actual State Payments Used in Analysis – Represents the amount of state payments made to the program in each fiscal year.

Total Net State Revenues $ (M) – Represents the amount of new state revenue generated by the program in each fiscal year.

Personal Income (Nominal $(M)) – 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 2009 $(M)) – Total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2009 $(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 2009 $(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 2009 $(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, includes survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

FLORIDA SPORTS FOUNDATION GRANT PROGRAM

Program Description…

The Florida Sports Foundation, Inc. (FSF) is a 501(c)(3) non-profit corporation, serving as the Sports Industry Development Division of Enterprise Florida, Inc.[16]

In 1989, the Legislature authorized the designation of a direct support organization to assist in the promotion and development of the sports industry in the state.[17] In 1995, the Legislature authorized the sale of professional sport team license plates, the proceeds of which were allocated to the FSF to:

- Fund major sporting events;
- Promote the economic development of the sports industry;
- Distribute licensing and royalty fees to participating pro sports teams;
- Institute a grant program for communities bidding on minor sporting events that create an economic impact for the state;
- Distribute funds to Florida-based charities designated by the FSF and the participating pro sports teams; and
- Fulfill sports-promotion responsibilities of the Department required by statute.[18]

Following the abolishment of the Department of Commerce in 1996,[19] the FSF was assigned to the Office of Tourism, Trade and Economic Development (OTTED) in the Executive Office of the Governor, with specific statutory powers and duties.[20] In 1999, the Legislature transferred many of the responsibilities of the Governor's Council on Physical Fitness and Amateur Sports to the FSF, which included the operation of the "Sunshine State Games."[21] The statutory responsibilities were expanded in 2010 to include assisting OTTED in retention of professional sports franchises and the spring training operations of Major League Baseball.[22]

When OTTED was abolished in 2011, FSF was merged into Enterprise Florida, Inc. (EFI), the state's principal economic development organization under contract with the newly created Department of Economic Opportunity.[23] FSF operates as a separate corporation with EFI as its sole member, and FSF retained the assets, liabilities and responsibilities of the original corporation. EFI is responsible for appointing FSF's board of directors, President and other corporate officers. The President is responsible for the active management of FSF, subject to the directions of the board and EFI, "consistent with its organizational documents and the purposes set forth in Section 288.1229, Florida Statutes (2010)."[24]

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[16] Section 288.92(1)(e), F.S.

[17] When created by statute, Direct-Service Organizations are typically non-profit corporations, authorized to carry out specific tasks in support of public entities or public causes. Section 1, ch. 88-226, L.O.F., created the Sports Advisory Council within the Florida Department of Commerce. Section 1, ch. 89-263, L.O.F., authorized the creation of a DSO to assist the Sports Advisory Council. Section 1, ch. 92-111, L.O.F., transferred the DSO to the Department of Commerce, and OPPAGA Report 96-31 states that FSF was established as a DSO of the Department of Commerce in 1992. The Council was abolished by s. 22, ch. 93-187, L.O.F.

[18] Section 3, ch. 95-282, L.O.F., which created s. 320.08058(9), F.S.

[19] Section 3, ch. 96-320, L.O.F.

[20] Section 56, ch. 96-320, L.O.F, which created s. 288.1229, F.S.

[21] Section 7, ch. 99-251, L.O.F.

[22] Section 6, ch. 2010-140, L.O.F.

[23] Section 30, ch. 2011-142, L.O.F.

[24] Sections 1 and 2 of Article VI, and Section I (d), Bylaws of the Florida Sports Foundation, Incorporated, March 19, 2012. Section 288.1229, Florida Statutes (2010) was repealed by s. 485, ch. 2011-142, L.O.F.

Today, the duties of the Florida Sports Foundation are to:

- With funding from the sale of nine Professional Sports and three Specialty License Plates, administer the Major, Regional and Small Market grant programs, which assist Florida communities with securing, hosting and retaining sporting events, as well as assist in the marketing of these Specialty License Plates;
- Promote, organize and provide funding for the Sunshine State Games and the Florida Senior Games;
- Through publications and the FSF website, promote sports tourism in Florida and convene an annual summit of Regional Sports Commissions;
- Through publications and the FSF website, promote the Florida Grapefruit League as a sports tourism destination, and promote Florida as a golfing and fishing destination;
- Assist the Florida Department of Economic Opportunity in certifying new and retained professional sports franchise and baseball spring-training facilities in the state; and
- With other state agencies or private entities, assist or sponsor sport or fitness related activities.

Funding for the FSF is provided through the sale of Florida professional sports team license plates, half of which must be used to attract major sports events in Florida.[25] Additionally, the FSF receives up to $2.5 million annually from the sale of Florida US Olympic Committee license plates to be used for Florida's Sunshine State Games.[26] In the study window, FSF received, on average, only $51,888 from the sale of US Olympic Committee license plates.[27] FSF also receives a portion of proceeds from the sale of Florida NASCAR[28] and Florida Tennis license plates.[29] FSF reported they also received $200,000 annually in General Revenue in Fiscal Years 2010-11, 2011-12, and 2012-13.[30]

Major program expenditures include funding of the FSF Major Grant Program, the Regional Grant Program (primarily amateur sport events), the Small Market Grant Program, and the Amateur Sports Programs (Sunshine State Games and Florida Senior Games). Grant requests are submitted through the 26 regional sports commissions and are evaluated based on need and the economic impact related to the number out-of-state participants and spectators. These estimates are provided in grant applications and validated after the event.

As noted above, the FSF has varied administrative responsibilities in support of the state's sports-tourism industry. Both the Sunshine State Games and the Senior Games cater to Florida residents. While it is possible that non-Florida residents participated, it is likely that economic benefits from these participants are negligible. Florida Sports Foundation's main contribution to the Florida economy is the grant program, which is the focus of this analysis.

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[25] Section 320.08058(9)(b), F.S. Major sport events include pro sport events, NCAA Final Four basketball events, or a horseracing or dogracing Breeders' Cup.
[26] Section 320.08058(6)(b)1.a., F.S.
[27] FSF's portion of the US Olympic License Plate were: $54,608.62 in 2010-11, $51,609.23 in 2011-12 and $49,445.97 in 2012-13
[28] Section 320.08058(60), F.S.
[29] Section 320.08058(65), F.S.
[30] FSF Revenues and Expenditures, Information on file with EDR.

FSF Grant Programs
The FSF grant programs assist the 26 regional sports commissions in securing and hosting professional and amateur sporting events from recognised host organizations. Such events range from the NFL Superbowl to the International Quidditch Association's World Cup VI Games, 2013.
The Major, Regional and Small Market grant programs have specific qualifying criteria, designed to maximize “economic impact, return on investment, and community support and image value to the state.”[31] Grants are subjected to pre-award evaluation and post-event verification of economic impact.

To measure the estimated economic impact of events, applications are required to include an estimate of:

- The number of adults and youth from out-of-state attending or participating in the event, the length of their stay, the number of rooms estimated to be let and the event room rate; and
- The state sales and tourist development taxes generated by the event.

The applications also identify the “community support” or other public matching funds secured for the event. Completed applications are considered quarterly by the FSF Board of Directors.

After the event, the regional sports authority submits a “Post Event Report” showing the actual economic impact of out-of-state event attendees to secure the approved grant from the FSF. Regional grants may have been reduced if the event failed to meet required qualifying thresholds.

Description of the Data
EDR examined the post-event reports of sporting events that received a FSF grant to ascertain total number of out-of-state participants and spectators (both adult and children), as well as visiting media; the length of stay for participants and spectators; hotel costs; and average daily expenditures. The analysis only included events that occurred in the study window. Events that qualified for the grant but occurred outside the study window were excluded from the study.

EDR successfully surveyed 21 of the 22 local sports commissions that received grants during the review period to ascertain the cash assistance given to the related sporting events in the study.

[31] See FSF Major & Regional Grant Program Policies & Procedures @ http://www.flasports.com/images/pdfs/GrantForms/majorregionalinformation2013.pdf Last accessed on 5/9/14. Also, events are not “considered for any of the Foundation’s Grant Programs if the event also receives funding from the state of Florida, its agency or state private partner, for the purpose of economic development or economic impact and/or tourism incentives.”

Analysis and Findings…

Statewide Economic Model Impact of the Florida Sports Foundation Grant Program

	2010-11	2011-12	2012-13	Total
State Payments in the Window $ (M)	0.4	1.3	0.6	**2.3**
Total Net State Revenues $ (M)	1.8	6.1	5.1	**12.9**
Return-on-Investment by Year	4.5	4.7	8.4	
Return-on-Investment for the 3 year period				**5.61**

		2010-11	2011-12	2012-13	Total		Average per Year
Personal Income	Nominal $ (M)	47.8	163.7	144.0	**355.5**		**118.5**
Real Disposable Personal Income	Fixed 2009 $ (M)	40.9	136.5	119.2	**296.6**		**98.9**
Real Gross Domestic Product	Fixed 2009 $ (M)	50.0	166.7	139.0	**355.7**		**118.6**
Consumption by Households and Government	Fixed 2009 $ (M)	40.1	139.5	124.3	**303.9**		**101.3**
Real Output	Fixed 2009 $ (M)	65.3	217.0	177.4	**459.7**		**153.2**
		2010-11	**2011-12**	**2012-13**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	344	1,203	813	***344***	**1,203**	**787**
Population	Persons	16	80	336	***16***	**336**	**144**

The analysis considered the impact of the 152 sporting events that occurred within the three-year window of review: July 1, 2010 to June 30, 2013. The events ranged from the YMCA Masters Swimming Championships to the NBA All-Star Game. A brief summary can be found below:

Fiscal Year	# of Events	Total FSF Grant Awards	Total Local Grant Amounts
2010-11	47	$446,709	$1,361,777
2011-12	59	$1,253,710	$5,308,581
2012-13	46	$581,000	$2,978,202

When grant responsibilities for events are shared, the economic benefit is proportionately attributed among the public contributors. When proportioned at the individual event level, FSF's share of visitors ranged from under 10% to 100% for each event. Based on the calculated proportions per event, the analysis attributes 238,395 out-of-state visitors to FSF Grants. They stayed, on average, around 6.8 days in Florida (according to the post-event reports) spending $310 million in the state economy.

The Florida Sports Foundation Grant Program has a projected ROI of 5.61. For every dollar spent on the grant program, the state of Florida received $5.61 in tax revenue. In addition, the grant program increased Florida's Real GDP by about $355.7 million and caused Real Disposable Personal Income to grow by $296.6 million in the study window. Even after apportioning the benefit with local governments, the FSF grant program had a healthy ROI. This is due to its ability to attract large national events with significant out-of-state visitors for, on average, a small state share of the cost. The state share of the cost runs about $15,000 per event. Visiting participants and spectators to these events spent money and, on average, stayed longer than a typical Florida visitor--contributing to the higher ROI.

PROFESSIONAL SPORTS FRANCHISE INCENTIVE

Program Description…

The Professional Sports Franchise incentive is the state's funding mechanism to attract and retain pro sport franchises in Florida. Qualified applicants are eligible for up to $2 million annually for 30 years. These dollars are pledged with other local government resources to secure bonds to fund the acquisition, construction, reconstruction or renovation of pro sport facilities.

In their initial effort to attract professional sports franchises to the state, the Legislature authorized three funding mechanisms for the construction of related facilities. In 1988, local governments were authorized to levy a local option sports facility sales tax on stadium admissions, concessions and parking that was matched with an equal amount of state funds of up to $2 million per year and $15 million over the life of the facility.[32] The law also authorized counties to levy a one-percent tourist development tax to pay the debt service on bonds issued to finance the construction, reconstruction, or renovation of a professional sports franchise facility.

In 1991, the Legislature significantly revised the incentive to provide up to $2 million a year for up to 30 years to applicants certified by the Department of Commerce.[33] Certification criteria include a commitment by the franchise to use the facility for five years, a declaration by the local government that the project serves a public purpose, projections for paid attendance (at least 300,000 annually), projections that the facility will generate at least $2 million annually in sale taxes, and demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility. This law also established an incentive for new spring training franchises, limited the total number of awards for incentives to six, and prohibited facilities from receiving more than one award.

The qualifying criteria were amended in 1994 to extend the use commitment from five to ten years for pro sports franchises.[34] In addition, counties were authorized to levy an additional one-percent tourist development tax to pay the debt service on bonds issued to finance the construction, reconstruction, or renovation of a professional sports franchise facility.[35] The incentive was made available to fund facilities for "retained" pro franchise facilities in 1995,[36] and the cap on the number of awards was increased from six to eight in 1996.[37] The cap was increased again in 2000, with eight awards specifically reserved for pro facilities.[38]

To date, eight certified facilities for new or retained professional sports franchises have received funding distributions from DOR.[39] Each facility receives $166,667 monthly ($2 million annually) for no more than

[32] Section 288.1162, F.S., created in ch. 88-226, L.O.F. Approval was contingent upon review and recommendation by the Florida Department of Commerce, and subsequent Legislative authorization. If a local government was successful in signing a franchise before January 1, 1989, they would also have received an additional $1,757,920 to assist in locating the franchise to Florida.

[33] Chapter 91-274, L.O.F.

[34] Section 35, ch. 94-338, L.O.F.

[35] Section 37, ch. 94-338 and s. 1, ch. 94-275, L.O.F.

[36] Chapter 95-304, L.O.F.

[37] Section 45, ch. 96-320, L.O.F.

[38] Section 2, ch. 2000-186, L.O.F.

[39] The eighth pro sport certification was specifically designated by s. 4, ch. 2006-262, L.O.F., for an NBA franchise located in Florida since 1997. In 2014, the Legislature established the Sports Development Program to provide an additional sales tax distribution to local governments for the purpose of constructing or renovating professional sports facilities. However, the

30 years, totaling a maximum of $60 million. These distributions fund a relatively small portion of the debt financing for pro-sport facilities, ranging from 6 to 17.4 percent. Finally, in some cases the primary tenant contributes to the construction or reconstruction funding of the facility.

Data

For the analysis of the program, EDR surveyed the eight professional teams that use facilities financed, in part, by the Professional Sports Franchise incentive. EDR requested data on total tickets purchased to professional sporting events, total number of ticket purchases from attendees with out-of-state zip codes and total number of youth tickets purchased to these events. Four of the eight teams were able to provide an estimate of out-of-state visitors based on ticket purchases.

EDR reviewed the "2010-11 Fiesta Bowl Festival of College Football Economic Impact Study," which provided estimates of out-of-state visitors to the bowl games at the relevant sport facilities. The study included separate estimates for both BCS games and non-BCS games.

EDR also reviewed DOR data regarding the sales tax distributions for each Professional Sports Franchise Incentive recipient.

In addition, EDR examined the bond documents associated with the building or renovation of the qualified facilities. The bond documents helped identify the proportions financed through local sources and the state's sales tax distributions.

Analysis and Findings…

Statewide Economic Model Impact of the Professional Sports Facilities Incentive Program

	2010-11	2011-12	2012-13	Total
State Payments in the Window $ (M)	16.0	16.0	16.0	**48.0**
Total Net State Revenues $ (M)	6.3	5.7	2.2	**14.2**
Return-on-Investment by Year	0.4	0.4	0.1	
Return-on-Investment for the 3 year period				**0.3**

		2010-11	2011-12	2012-13	Total		Average per Year
Personal Income	Nominal $ (M)	155.4	139.8	47.5	**342.7**		**114.2**
Real Disposable Personal Income	Fixed 2009 $ (M)	134.4	120.1	40.7	**295.1**		**98.4**
Real Gross Domestic Product	Fixed 2009 $ (M)	169.7	149.8	50.3	**369.9**		**123.3**
Consumption by Households and Government	Fixed 2009 $ (M)	113.2	94.7	24.1	**232.0**		**77.3**
Real Output	Fixed 2009 $ (M)	214.8	180.8	50.8	**446.4**		**148.8**
		2010-11	**2011-12**	**2012-13**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	1,136	808	(10)	***(10)***	**1,136**	**645**
Population	Persons	32	160	224	***32***	**224**	**139**

qualifying and certification criteria are substantially different from the Professional Sports Franchise Facility incentive. (Section 4, ch. 2014-167, L.O.F., creating s. 288.11625, F.S.)

EDR surveyed the eight professional sports teams to ascertain the number of out-of-state visitors attending events in their facilities during the review window. Four of the eight teams estimated that, on average, 10.8 percent of attendees were from out-of-state, based on the zip codes identified in billing documents.

It is possible that the estimate doesn't account for all out-of-state visitors to professional sport games, as visitors may have purchased tickets through a third-party vendor. However, the number does not appear to be unreasonable. Two professional sports impact studies identify overnight, out-of-state attendees ranging from 6% to 10.5%.[40] Additionally, the estimate assumes that all of the out-of-state attendees were visiting Florida primarily to watch the sporting event. This is a generous assumption, as some of these visitors could have been "casuals", with a different primary reason for visiting Florida.

During the study window, one of the recipient facilities was under construction. Construction expenditures benefit the state through additional tax revenue, personal income and GDP growth. The analysis estimated the state's share of the construction expenditures and included it in the impact.

Attendees to the college football bowl games played in the facilities were included in the analysis. The "2010-11 Fiesta Bowl Festival of College Football Economic Impact Study" provided the percentage of out-of-state visitors who attended either a BCS or a non-BCS bowl game. Using this figure, the study attributed an additional 119,476 visitors to professional sports facilities from the bowl games.

When financing responsibilities for facilities or events are shared, the economic benefit (or outcome) is proportionately attributed among the public contributors. In this case, EDR found that the Professional Sports Franchise incentive provided 26% of the public financing for the 8 facilities, while the local governments contributed the remaining 74%. Based on the proportions of state and local financing, the analysis attributes 602,246 out-of-state visitors to the state incentive. Including the bowl game attendees, total out-of-state visitors due to the state's share rose to 721,722.

The Professional Sports Facilities Incentive Program has a projected ROI of 0.30. For every dollar spent through the incentive, the state of Florida received 30 cents in tax revenue. In addition, the state incentive caused Florida's Real GDP to increase by about $369.9 million and caused Real Disposable Personal Income to grow by $295.1 million during the review window. The program attracted the greatest number of out-of-state visitors in the study, but came in with only the 2nd highest ROI. This was due mainly to the cost of the program. The program cost the state $16 million per year during the study window. In contrast, the Florida Sports Foundation Grant program cost the state, on average, less than $1 million per year during the study window.

[40] See The Impact of Oriole Park at Camden Yards on Maryland's Economy, 2006 & Seattle Seahawks Economic Impact, 1996.

SPRING TRAINING BASEBALL FRANCHISE INCENTIVE

Program Description…

The Spring Training Baseball Franchise incentive is the state's funding mechanism to attract and retain facilities for Major League Baseball (MLB) spring training in Florida. Qualified applicants are eligible for up to $500,000 annually for up to 30 years. These dollars are typically pledged with designated Tourist Development Tax revenue and other local government resources to secure bonds to fund the acquisition, construction, reconstruction or renovation of spring training facilities.

In 1988, the Florida Legislature established the first state incentive to attract professional franchises to the state. In 1991, the law was significantly revised and expanded to include an incentive for spring training baseball franchises. Certification criteria for the spring training franchise incentive included a commitment by the franchise to use the facility for fifteen years, projections for paid attendance (at least 50,000 annually), demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility, proof that the facility was located within 20 miles of an interstate or other limited-access highway system, and a requirement that the county levy a four-percent Tourist Development Tax, with 87.5 percent of the proceeds dedicated for the construction of the complex.[41] This law also limited the total number of awards for both the professional sports franchises and new spring training franchises to six, and prohibited facilities from receiving more than one award.

In 1999, the Legislature extended the use of the Professional Sports and Additional Professional Sports Tourist Development Taxes to fund debt service on spring training franchise facilities.[42] At that point, no local governments had applied for the incentive.

In 2000, the law was amended to limit the incentive to "retained" rather than "new" spring training franchises, delete the requirement that the facility be located within 20 miles of an interstate or other limited-access highway system, and to establish ranking criteria for awards. The awards were limited to publically-owned facilities and were authorized for in-state relocations provided certain conditions were met. The law also imposed a cap of five awards.[43]

In 2006, the number of authorized awards for spring training facilities was expanded from five to ten, with the imposition of additional certification criteria. Counties were authorized to use up to $2 million of their local option half-cent sales tax revenues annually to fund facilities for new or retained professional sports franchises and facilities for retained spring training franchises.[44] The scope of the incentive was expanded in 2010, to include any spring training franchise rather than only "retained" spring training franchises.[45] By August 2012, ten facilities were certified for the incentive.[46]

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[41] Ch. 91-274, L.O.F.

[42] Section 1, ch. 99-287, L.O.F

[43] Ch. 2000-186, L.O.F.

[44] Ch. 2006-262, L.O.F.

[45] Ch. 2010-140, L.O.F. Also, provisions relating to the spring training incentive were transferred from s. 288.1162 to newly created s. 288.11621, F.S.

[46] Lee County was certified for the tenth award in August 2012 with the first payment scheduled for July 2013. Consequently, the facility was not included in this analysis.

Data

For the analysis of the program, EDR obtained attendance figures, by team, from the official Florida's Grapefruit League website, which is maintained by the Florida Sports Foundation.[47] In addition, EDR reviewed the "2009 Major League Baseball Florida Spring Training Economic Impact Study," which provided an estimate of out-of-state visitors whose primary reason for visiting Florida was to attend Spring Training games.[48] The study also included information on average party size, average expenditure amount per party per day, and length of stay for these out-of-state visitors.

EDR also reviewed DOR data on the sales tax distribution for each Spring Training Sports Facilities recipient.

In addition, EDR examined the bond documents associated with the building or renovation of the qualified facilities. The bond documents helped identify the proportions financed through local sources and the state's sales tax distribution.

Analysis and Findings…

Statewide Economic Model Impact of the Spring Training Franchise Incentive Program

	2010-11	2011-12	2012-13	Total
State Payments in the Window $ (M)	4.2	4.2	4.2	**12.6**
Total Net State Revenues $ (M)	0.2	0.6	0.7	**1.4**
Return-on-Investment by Year	0.0	0.1	0.2	
Return-on-Investment for the 3 year period				**0.11**

		2010-11	2011-12	2012-13	Total		Average per Year
Personal Income	Nominal $ (M)	0.6	9.6	13.6	**23.8**		**7.9**
Real Disposable Personal Income	Fixed 2009 $ (M)	0.9	8.7	11.6	**21.1**		**7.0**
Real Gross Domestic Product	Fixed 2009 $ (M)	2.7	13.3	16.9	**32.9**		**11.0**
Consumption by Households and Government	Fixed 2009 $ (M)	(4.8)	1.6	7.0	**3.8**		**1.3**
Real Output	Fixed 2009 $ (M)	1.8	15.0	19.8	**36.6**		**12.2**
		2010-11	**2011-12**	**2012-13**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	16	93	109	***16***	**109**	**73**
Population	Persons	(16)	(32)	(32)	***(32)***	**(16)**	**(27)**

Using the 2009 MLB Florida Spring Training Economic Impact Study, the analysis estimated the percentage of out-of-state visitors whose primary reason for visiting Florida was Spring Training. In the three-year window, this totaled 358,917 visitors to Florida. The analysis attributes only 22% of these visitors to the state incentive. This was due to two reasons. First, local contributions were the primary source of financing for these Spring Training facilities. Second, a few of the facilities did not receive the sales tax distribution and were excluded from the analysis. The impact study's expenditure amount per party and average number of nights stayed were used to measure the dollar amount that each visitor contributed to the Florida economy.

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[47] http://www.floridagrapefruitleague.com

[48] *The Bonn Marketing Research Group, Inc.*

During the study window, one of the recipient facilities was under renovation. Construction expenditures benefit the state through additional tax revenue, personal income and GDP growth. The analysis estimated the state's share of the construction expenditures and included it in the impact.

Spring Training Franchise Incentive Program has a projected ROI of 0.11. For every dollar spent on the program, the state of Florida received 11 cents in tax revenue. In addition, the program increased Florida's Real GDP by $32.9 million and caused Real Disposable Personal Income to grow by $21.1 million during the review window. The program attracted the 3rd greatest number of out-of-state visitors in the study and came in with the 3rd highest ROI.

PROFESSONAL GOLF HALL OF FAME FACILITY INCENTIVE

Program Description…

World Golf Foundation, Inc., was established in 1994 as a non-profit with the purpose of constructing and operating the World Golf Hall of Fame facility in Northeast Florida. The $48.6 million facility was completed and opened to the public in May, 1998. The World Golf Hall of Fame was originally located in North Carolina and was owned and operated by the PGA of America.[49]

In 1993, the Legislature authorized a funding mechanism for financing this sports-destination facility, which is part of the "World Golf Village" project, a "vacation destination with two championship golf courses, high-end accommodations and several other amenities."[50] The project was initially financed by the St. Johns County Industrial Development Authority. In the enacting legislation, the Legislature determined the "facility would receive national and international media promotion and attention to the extent of promoting the quality of life in Florida, so as to attract national and international tourists and sports-related industry…"[51]

In 1998, the Florida Department of Commerce certified the World Golf Foundation as eligible for $50 million in state sales tax revenue, to be distributed over 25 years, to cover the financed construction costs related to the Professional Golf Hall of Fame. The 75,000 sq. ft. facility contains a cafeteria, gift shop and IMAX Theater.

Certification criteria included:

- Projections that the professional golf hall of fame facility will attract a paid attendance of more than 300,000 annually.
- An independent analysis or study which demonstrates that the amount of the revenues generated by sales and use taxes with respect to the use and operation of the facility will equal or exceed $2 million annually.
- An agreement by the applicant to provide $2 million annually in national and international media promotion of the professional golf hall of fame facility, Florida, and Florida tourism, through the PGA Tour, Inc., or its affiliates, at the then-current commercial rate, during the period of time that the facility receives funding from the state.
- Documentation that the applicant has provided, is capable of providing, or has financial or other commitments to provide more than one-half of the costs incurred or related to the improvement and development of the facility.

Use of the state funds was restricted to costs related to the construction, reconstruction, renovation, promotion, or operation of the facility. The last scheduled distribution to St. Johns County Industrial Development Authority is June 2023.

The law also required the department to recertify every 10 years that the facility is open, continues to be the only professional golf hall of fame in the United States recognized by the PGA Tour, Inc., and is

[49] See http://www.worldgolfhalloffame.org

[50] Chapter 93-233, L.O.F., creating s. 288.1168, F.S. & s. 212.20(6)(d)7.c., F.S. See http://www.worldgolfhalloffame.org/about-the-museum/our-history/

[51] Ch. 93-233, L.O.F.

meeting the minimum projections for attendance or sales tax revenue as required at the time of original certification.

Data

For the analysis of the program, EDR requested the World of Golf Hall of Fame provide information on total tickets purchased to the Hall of Fame, total number of ticket purchased by Florida residents, and total number of youth tickets purchased to these events. The museum provided attendance numbers, but was unable to provide information concerning out-of-state visitors.

In lieu of obtaining actual out-of-state visitor counts, EDR reviewed an alternative source to estimate visitor information to cultural events in Florida: "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the State of Florida."[52]

EDR also reviewed DOR data on the sales tax distribution for the World of Golf Foundation.

In addition, EDR examined the bond documents associated with construction of the World Golf Village. The bond documents helped identify the proportions financed through local sources and the state's sales tax distribution.

Analysis and Findings…

Statewide Economic Model Impact of the World of Golf Hall of Fame & Museum

	2010-11	2011-12	2012-13	Total
State Payments in the Window $ (M)	2.0	2.0	2.0	**6.0**
Total Net State Revenues $ (M)	(0.1)	(0.2)	(0.2)	**(0.5)**
Return-on-Investment by Year	-0.1	-0.1	-0.1	
Return-on-Investment for the 3 year period				**(0.08)**

		2010-11	2011-12	2012-13	Total		Average per Year
Personal Income	Nominal $ (M)	(5.6)	(8.0)	(7.2)	**(20.8)**		**(6.9)**
Real Disposable Personal Income	Fixed 2009 $ (M)	(4.6)	(6.5)	(5.8)	**(16.8)**		**(5.6)**
Real Gross Domestic Product	Fixed 2009 $ (M)	(4.7)	(6.2)	(5.0)	**(15.9)**		**(5.3)**
Consumption by Households and Government	Fixed 2009 $ (M)	(7.1)	(9.9)	(8.2)	**(25.2)**		**(8.4)**
Real Output	Fixed 2009 $ (M)	(7.1)	(9.3)	(7.3)	**(23.6)**		**(7.9)**
		2010-11	**2011-12**	**2012-13**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	(38)	(42)	(24)	***(42)***	**(24)**	**(34)**
Population	Persons	0	(14)	(44)	***(44)***	**0**	**(19)**

The EDR survey of the World of Golf Hall of Fame produced a total attendance number, but it was unable to provide an out-of-state visitor number. Instead, EDR relied on an alternative source: "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the State of Florida." This report estimated the percentage of out-of-state visitors who visited museums or cultural events to be 15.6%.

[52] The report was commissioned by Americans for Arts.

EDR examined the bond documents associated with the construction of the World Golf Village. The bond documents helped identify the amount financed by the state. The analysis attributes 53.82% of the out-of-state visitors to the state. This totaled 39,948 out-of-state visitors within the study window.

Unlike the previous programs, the analysis does not attribute all of a visitor's stay in Florida to the Hall of Fame. The Hall of Fame is just one of the many attractions at the World Golf Village, which also includes golf courses, convention space and a luxury hotel. The analysis assumed that all of these attractions contributed to the visitor's decision to vacation in Florida. Therefore, the analysis only attributed one day to each estimated out-of-state visitor.

The World of Golf Facility Incentive has a projected negative ROI of -0.08. For every dollar spent on the program, the state of Florida lost 8 cents of tax revenue. The primary reason for the negative ROI is the limited number of visitors the World of Golf Hall of Fame was able to attract during the study period in exchange for the strong financial commitment by the state. The state's financial commitment also diverts spending away from other state programs that may have a higher ROI.

INTERNATIONAL GAME FISH ASSOCIATION WORLD CENTER

Program Description…

As declared in its mission statement, the International Game Fish Association (IGFA) is a not-for-profit organization "committed to the conservation of game fish and the promotion of responsible, ethical angling practices through science, education, rule making and record keeping."[53] First formed in 1939, its headquarters was located in New York. In the late 1950's, IGFA moved from New York to Florida, first to Miami, then in 1967 to Fort Lauderdale, in 1992 to Pompano Beach, and in 1999 to the IGFA Fishing Hall of Fame & Museum in Dania Beach.

In 1996, the Legislature authorized a funding mechanism for financing this new sports-destination facility, with the understanding it would be collocated with Bass Pro Shops/Outdoor World, a privately held retailer of hunting, fishing, camping and related outdoor recreation merchandise. The 160,000 sq. ft. Outdoor World opened in 1998, and continues to provide a mix of entertainment, retailing and a full service restaurant. In the enacting legislation, the Legislature determined the entire "project would, in addition to educational, tax, environmental, and job opportunity enhancement, accomplish the goals established for sports promotion in the state…"[54]

In 2000, the Florida Department of Commerce certified the International Game and Fish Association as eligible for $15 million in state sales tax revenue, to be distributed over 14 years, to help finance the construction of the International Game Fish Association World Center. The 60,000 sq. ft. center contains the IGFA administrative headquarters, a fishing museum, Hall of Fame, historical displays and educational exhibits and facilities.

Certification criteria included:

- Projections that the IGFA World Center facility and the collocated private sector facility will attract an attendance of more than 1.8 million annually.
- An independent analysis or study which demonstrates that the amount of the revenues generated by sales and use taxes with respect to the use and operation of the project (not just the IGFA facility) will exceed $1 million annually.
- Projections that the project will attract more than 300,000 persons annually who are not residents of the state.
- An agreement by the applicant to provide $500,000 annually in national and international media promotion of the facility, at the then-current commercial rates, during the period of time that the facility receives this funding from the state.
- Documentation that the applicant has provided, and is capable of providing, or has financial or other commitments to provide, more than one-half of the cost incurred or related to the improvements and the development of the facility.

Use of the state funds was restricted to costs related to the construction, reconstruction, renovation, promotion, or operation of the facility. The IGFA received its last distribution in February 2014.

The law also required the department to recertify every 10 years that the facility is open, continues to be the only international administrative headquarters, fishing museum, and Hall of Fame in the United

[53] See http://www.igfa.org/About/Mission.aspx
[54] Ch. 96-415, L.O.F.

States recognized by the International Game Fish Association, and that the project is meeting the minimum projections for attendance or sales tax revenues as required at the time of original certification.

Data

For the analysis of the program, EDR requested the IGFA provide information on total tickets purchased to the Hall of Fame, total number of tickets purchased by Florida residents, and total number of youth tickets purchased to these events. The museum provided attendance numbers, but was unable to provide information concerning out-of-state visitors.

In lieu of obtaining actual out-of-state visitor counts, EDR reviewed an alternative source to estimate visitor information to cultural events in Florida: "Arts & Economic Prosperity III: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the State of Florida." [55]

EDR also reviewed DOR data on the sales tax distribution for the International Game & Fish Association.

In addition, EDR examined the bond documents associated with the building or renovation of the facility. The bond documents helped identify the proportions financed through local sources and the state's sales tax distribution.

Analysis and Findings…

Statewide Economic Model Impact of the International Game & Fish Museum

	2010-11	2011-12	2012-13	Total
State Payments in the Window $ (M)	1.0	1.0	1.0	**3.0**
Total Net State Revenues $ (M)	(0.1)	(0.1)	(0.1)	**(0.3)**
Return-on-Investment by Year	-0.1	-0.1	-0.1	
Return-on-Investment for the 3 year period				**(0.09)**

		2010-11	2011-12	2012-13	Total		Average per Year
Personal Income	Nominal $ (M)	(2.9)	(4.3)	(3.9)	**(11.1)**		**(3.7)**
Real Disposable Personal Income	Fixed 2009 $ (M)	(2.3)	(3.5)	(3.2)	**(9.0)**		**(3.0)**
Real Gross Domestic Product	Fixed 2009 $ (M)	(2.5)	(3.4)	(2.9)	**(8.8)**		**(2.9)**
Consumption by Households and Government	Fixed 2009 $ (M)	(3.7)	(5.2)	(4.5)	**(13.4)**		**(4.5)**
Real Output	Fixed 2009 $ (M)	(3.7)	(4.9)	(3.9)	**(12.5)**		**(4.2)**
		2010-11	**2011-12**	**2012-13**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	(20)	(22)	(14)	**(22)**	**(14)**	**(18)**
Population	Persons	0	0	0	***0***	**0**	**0**

While the International Game & Fish Museum was able to provide total attendance figures, they were unable to produce an estimate of out-of-state visitors to the museum. Instead, EDR relied on an alternative source: "Arts & Economic Prosperity: The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the State of Florida." This report estimated the percentage of out-

[55] The report was commissioned by Americans for Arts.

of-state visitors who visited museums or cultural events to be 15.6%. Based on this, the analysis attributed 15,933 out-of-state visitors to the museum.

The analysis did not consider the impact of the Bass Pro Shop/Outdoor World affiliated with the IGFA Museum. Bass Pro Shops/Outdoor World is a retail outlet, and retail stores are market dependent. Market dependent firms do not expand the statewide economy, but simply take market share from existing businesses. Therefore, there is no new state revenue resulting from their existence. However, EDR attributed 100% of IGFA out-of-state visitors to the state. EDR could not find any bond documents that identified a local source of financing.

The IGFA Museum Incentive has a projected negative ROI of -0.09. For every dollar spent on the program, the state of Florida lost 9 cents of tax revenue. The primary reason for the negative ROI is the limited number of visitors the IGFA Museum was able to attract during the study period in exchange for the financial commitment by the state. The state's financial commitment also diverts spending away from other state programs that may have a higher ROI.

Appendix One: Facilities Financing

Most stadiums and sports facilities are financed with tax-exempt bonds, which are issued through state and local governments or other public entities such as regional sports authorities. Tax-exempt bonds allow issuers to take on debt at a lower interest rate compared to taxable bonds. In turn, the underwriter is able to get a better return on their investment because their earnings are exempt from federal income tax. The maturity structure for tax-exempt bonds is typically 20-30 years, so it is essentially a long-term debt that is paid back over time. Tax-exempt bonds are secured by pledged revenues which are usually generated from a tax or fee. The most commonly pledged revenues for sports facilities bonds are tourist development taxes, ad valorem taxes, and sales taxes. In a few instances, the bonds have been issued as general obligation debt, which means that all revenues of the issuer, regardless of the source, may be used to pay debt service, if needed.

In Florida, the annual sales tax distributions for sports facilities financing have been used to secure tax-exempt bonds. Issuing bonds provides a large amount of cash up-front that can be used for capital investment. However, most of the bonds are issued with 30-year maturity structures, which mean that a large portion of the state funding is actually used to pay the interest cost of the debt. For example, a certified professional sports facility in Florida that receives $2 million a year for 30 years pledges this $60 million to pay debt service on $30 million of bonds issued. So, the state's $60 million investment results in $30 million of up-front cash that can be used to construct or renovate a facility. The state's investment for spring training facilities is significantly less. In most cases, certified spring training facilities receive $0.5 million each year for 30 years, which typically results in about $7.5 million of cash available for the state's $15 million investment. In both programs, the amount of cash available varies up or down slightly by facility, depending on what interest rates were at the time bonds were issued.

Most of these bonds were issued many years ago, and construction or renovations were completed well before the timeframe for analysis. Only the Orlando Magic and the Minnesota Twins had capital expenditures within the window. This means that within the timeframe, the state's expenditures have mostly been used to pay debt service. When calculating the ROI for these programs, it is assumed that all activity at the facility within the window would not have occurred absent the initial construction or renovation of the facility. The return generated from the state's initial investment in sports facilities will be measured as tax revenues generated from spending by out-of-state visitors to sporting events at the publicly-funded facilities.

In addition to state sales tax distributions, all of the certified entities in Florida used other funding sources to complete the sports facilities projects. Most of the additional funding was provided through bonds issued by counties, cities, or regional sports authorities. The most commonly used local government revenue sources are county tourist development taxes,56 followed by local option sales taxes.57 In a few cases, proceeds from land sales or other non-ad-valorem revenues were also used.

Because local governments also invested in these projects, the state cannot claim all of the benefits. In order to determine what portion of the return to attribute to the state, EDR estimated the portion of

[56] To include the original and additional Tourist Development Taxes, the Professional Sports Franchise Facility Tax, and the Additional Professional Sports Franchise Facility Tax. Also, five counties may levy the High Tourism Impact tax, the revenues from which may be used to fund publicly-owned facilities. (s. 125.0104(3), F.S.)

[57] Subject to referendum approval, local governments may use proceeds from the Local Government Infrastructure Surtax. (s. 212.55(2)(d)1.a., F.S.) Counties may also use up to $2 million annually of the local government half-cent sales tax allocated to them by the state. (s. 218.64(3), F.S.)

the initial investment that came from state funds. It is important to note that there is not one single source of comprehensive data about sports facilities financing that includes all associated costs and funding sources. In order to estimate the state's share, EDR compiled information from many different sources, including the Florida Sports Foundation's facility certification application files that included financing plans for the facilities, individual bond offering documents found in the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) online database, and financial statements of local governments and regional sports authorities. EDR found that on average, the state funded 17.4% of pro sports facility projects and 37.4% of spring training facility projects. EDR also found that, in Florida, the average total cost (including interest costs) of pro sports facility was $419.5 million, which is substantially higher than the average total cost of a spring training facility which was $42.1 million.

Appendix Two: Assessing the Economic Benefits of Public Subsidies for Professional Sports Facilities --A Literature Review

INTRODUCTION

In 2014, Howard and Crompton (2014, 133-179) observed that "(t)here is a long tradition in the U.S. of local governments assuming a substantial role in the financing, construction and operation of sport facilities."

The authors chart the evolution of facility funding from the 1950s to the present. From 1950 to 1970, the "Civic Development Era," sixty-two percent of the 52 major league stadiums were publicly owned. Six new facilities were constructed in the 1950s, all publicly owned, as were 17 of the 25 new facilities constructed in the 1960s. These facilities are characterized as "basic, lacking amenities." In the "Public Subsidy Era" from 1979 to 1984, eighteen of the 22 new facilities were publicly owned, and 2 were over 90 percent subsidized.[58] From 1985 to 1994, the "Transitional Era," local governments assumed a "progressively diminishing proportionate role in the financing of new sport facilities," primarily because franchises developed new revenue sources, and Congress imposed restrictions on the use of tax exempt bonds for facility construction.

Howard and Crompton (2014, 131) refer to the current period as the "Fully Loaded (Public-Private) Era," characterized by:

> "…a new generation of sport facilities that were filled with elaborate amenities and seating options designed to create new revenue opportunities: luxury suites, club seats, elaborate concessions, and even bars, restaurants and apartments with a view of the field."

Santo (2010, 74-75, 83) refers to this period as the "Era of Escalation and Extravagance." While some of these facilities were constructed for new or relocating franchises, he notes the majority were built as replacement facilities for existing teams, many for single-use (one sport, primarily MLB and NFL facilities). Another feature of this period is the increased integration of stadium construction into downtown redevelopment plans, which has contributed to the escalating costs of facilities.

To fund these significantly more expensive facilities, there has been a substantial increase in the amount obligated by state and local governments, to an increasing degree financed with consumption taxes levied on non-residents. Especially in major media markets, new revenue-generating strategies have enabled some franchises to assume a greater share of the facility financing and burden.

As to the evolving financing landscape, Long (2013, 153) notes that:

> "…subsidy deals have become far more complex over the past few decades, including a number of different government entities -- moving beyond local and county to include multi-county and state participation, as well as quasi-public redevelopment of sports and tourism authorities…in an effort to spread the incidence of cost over a larger population base, and perhaps to insulate funding approval from local politics and referendum requirements…"

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[58] From an economic perspective, a "subsidy" is a grant of money made by government in aid of the promoters of any enterprise, work, or improvement in which the government desires to participate, or which is considered a proper subject for government aid, because such purpose is likely to be of benefit to the public. Black's Law Dictionary, 5th Edition, 1999.

Howard and Crompton's (2014, 136 and 146) research shows that from 1990 through 2010, ninety-two major league stadiums and arenas were built or renovated across the U.S., with a total capital investment of $36.2 billion. Average cost per facilities increased from $284 million in the early 1990s to $718 million between 2005 and 2010. The public share of the cost for projects over these two decades was $19.9 billion, or 55 percent of the total expenditures. While the public share fell from 70 percent in the early 1990s to 47 percent between 2005 and 2010, the "amount per facility invested by government increased from $173 million to $300 million."

Assessing the economic benefit of public subsidies for these facilities, and professional sports in general, has generated a great deal of public attention over the past few decades. Economic impact studies commissioned by proponents claim these efforts result in economic benefits[59] to area economies, beyond the public investment. In contrast, peer-reviewed research published in academic journals concludes otherwise.[60] In their examination of public financing for professional sport facilities, Baade and Matheson (2011, 11) conclude:

> "…(r)esearchers who have gone back and looked at economic data for localities that have hosted mega-events, attracted new franchises, or built new sports facilities have almost invariably found little or no economic benefits from spectator sports."

While the focus of this research has been on professional sport facilities used during the regular season, there has also been a proliferation of construction for baseball spring training facilities in Arizona and Florida.[61] For purposes of this review, EDR offers four observations:

- Proponents of subsidies for spring training facilities use many of the same arguments to justify the incentives, as do the professional sports facility proponents;
- The general observations and critiques of professional sports studies by academic economists apply to proponent economic impact studies for spring training facilities;
- The magnitude of the public subsidy is typically lower for spring training facilities than that for regular season, professional sport facilities; and
- Many of the subsidized spring training facilities are used for other purposes throughout the year, be it a ballpark for a minor league team, amateur tournaments, or other events.[62]

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[59] As used in these studies, economic benefits are the net increases in personal income and area gross domestic product, creation of new jobs and increases in tax revenue. For this review, a synonymous term is economic impact, which Agha and Rascher (2013, 3) define as "the net economic change in a local economy resulting from spending attributed to a given activity." These terms are inclusive of, but differentiated from, the Return on Investment for the public contribution to a project used in the Florida Statues. This is measured soley in the form of tax revenue.

[60] For illustrative purposes, it may be useful to view a comparative case study on the competing assessments of a recent high-profile project, the AT&T stadium in Arlington, Texas. The facility was initially estimated to cost $685 million. The city was to finance $325 million of the construction costs, with the team paying the remainder. The economic impact study commissioned by NFL's Dallas Cowboys (and cited by the City of Arlington, Texas), concluded that "the economic impact of the stadium and team would be between $12.5 billion and $27.7 billion across 30 years." Rosentraub and Swindle (2009) provided an alternative assessment, which "projected a *loss* of approximately $290 million across the same period of time." Their research is instructive because it identifies the specific assumptions and research methodologies in conflict between the consultant's economic impact study and those of peer-reviewed research by independent academics.

[61] See Interim Report 2009-106, "Review of the Retained Spring Training Franchise Incentive Program," Florida Senate Committee on Commerce, September 2008.
http://archive.flsenate.gov/data/Publications/2009/Senate/reports/interim_reports/pdf/2009-106cm.pdf

Given the lack of academic research directly addressing the subsidization of spring training facilities, this report will not directly address the issue.[63]

The purpose of this review is to:

- Review proponents' assertions of the economic benefits of public subsidies for professional sports facilities, as evidenced by commissioned economic impact studies identified in the academic literature;
- Survey literature reviews of peer-reviewed research by independent academic economists assessing the economic benefit of professional sports franchises in general, and public subsidies for related facilities in particular;
- Identify efforts to measure the social, largely intangible benefits of public subsidies for professional sports facilities;
- Offer a general explanation for the apparent inconsistency between the conclusions of proponents' studies and independent research;
- Discuss the primary issues related to measuring economic benefit;
- Review additional misapplications and omissions of proponent studies, as identified in academic literature; and
- Identify approaches to apportioning economic benefit.

PROPONENT ASSERTIONS

In their review of economic impact studies, academic economists identify the positive outcomes subsidy proponents attribute to professional sports franchises and facilities.[64] These outcomes include:

- Job creation, both during stadium construction and on-going operation of the facility;
- New spending in the community, both during facility construction and from attendees when the facility is completed, and subsequently though the "multiplier effect" of the initial spending;
- Expansion of tourism induced by the facility, with associated spending;
- Redevelopment of economically depressed areas;
- Increased revenues , which offsets the initial and ongoing public investment in the facility, in the form of revenues from leases; sales taxes on construction material, event tickets, concessions and spending outside the facility; and increases in ad valorem taxes from appreciating adjacent properties benefiting from the presence of the facility; and

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[62] Agha and Rischer (2013, 17) suggest that minor league teams may be more successful than others in utilizing the venue for alternative events that drive economic activity.

[63] There is one definitive study published by John Zipp in 1997, where he measured the impact the major league baseball strike of 1994-95 on spring training in Florida. In 1995, the teams fielded replacement players in lieu of the striking major league players. Zipp found that:

> "The most general conclusion that can be drawn from the foregoing analysis is that, whatever losses in tourism occurred with replacement spring training in 1995, these did not have a noticeable negative impact on one indicator of economic performance -- taxable sales -- in the Florida counties that host spring training. In contrast, how these counties did in the spring of 1995 is largely a function of how they did previously. This seems to indicate that, even in the relatively small economies of these Florida counties, professional sports can produce rather limited economic benefits. See "Spring Training" in Noll and Zimbalist (1997, 446)

[64] *See* Long 2013, 7-11; Coates and Humphreys 2014, 268-269, 287; Noll and Zimbalist 1997, 1-2; Rosentraub, 2010, 1 and 4; 1999, 3; Rosentraub in Noll and Zimbalist 1997, 179; Groothius 2004, 516; Rappaport and Wilkerson 2001, 55; Sanderson 2000; Siegfried and Zimbalist 2000, 99; Coakley 1998, 343-344; Zipp 1996, 159, 178-179; and Finerty 1991, 313.

- Generation of “social capital” through the presence of a professional team and increased national media exposure, which together expand tourism, facilitate economic growth (the “Big League City” effect), improve quality of life, make cities more attractive places to live and work; and promote civic pride.

Proponent assertions have evolved in response to local goals, political climate and negative responses from skeptics. Long (2013, 38) observes that over the past decade, advocates have “recast the subsidy rational away from economic development toward a combination of urban development and psycho-social benefits, where facilities are positioned as catalysts for downtown revitalization, as well as important sources of civic pride and social cohesion.”

SURVEY OF PEER-REVIEWED RESEARCH

There is an abundance of peer-reviewed research by independent academic economists assessing the economic benefit of professional sports franchises on the local economy in general, and public subsidies for related facilities in particular. In general, summaries of the literature reviews regarding this research are consistent with the recent conclusions of Howard and Crompton (2014, 224-5):

> “The findings of those who have independently evaluated the economic impact resulting from large public subsidies by local communities of pro sports team facilities, free from the pressures of a commissioning sponsor, are not encouraging. The findings from a series of such studies conducted in a variety of contexts by different investigators in the past twenty years consistently report that there is no statistical relationship between sport facility construction and economic development or job creation.”

Agha and Rascher (2013, 1 and 21) agree, noting that:

> “Despite the lofty perception that teams and professional sporting leagues are useful economic development tools, most academic research has failed to support this contention. *Ex post* analysis of professional sports teams on a variety of economic indicators imply almost entirely insignificant or negative effects.

In her analyses of public-private partnerships for major league sports facilities, Long (2013, 4 and 197-8) concludes that:

> “…a plethora of cost-benefit analyses have convincingly concluded that sports facilities are in fact poor public investments….By 2001, nearly two decades of economic cost-benefit analyses produced widespread consensus that sports facilities provide negligible net new economic benefits, and in the few cases where they do, such efforts are highly localized within the immediate area of the facility.”

Similarly, Coates (2007, 575-576) found that in those instances where there is some evidence of economic benefit, the positive effect:

> “..tends to be focused on small geographic areas. Rather than being evidence of development effects, these results indicate redistribution from one area to another within a region. Calls for stadiums and arenas to be studied in the context where they will be most effective, in the central city, are implicit arguments for redistribution. Results suggesting that stadiums and

> arenas are successful in anchoring downtown development are often accurately interpreted as evidence that redistribution has occurred.

Baade (2010, 191 & 192) finds "the consensus of scholars is that subsidies for sports franchises and mega-event do not induce economic development on a scale that justifies them." While he acknowledges that some researchers in related disciplines argue that sports facilities, in the right context, may induce economic development, Baade concludes that "the ability of sports to do so alone is doubtful."

In 2008, Coates and Humphreys (2008, 310) acknowledged that although:

> "…the intuitive argument and survey evidence do not deny the possibility of certain local economic benefits from sports subsidies, the empirical findings also strongly reject sports subsidies on the grounds of a lack of economic benefits. The large and growing peer-reviewed economics literature on the economic impacts of stadiums, arenas, sports franchises, and sport mega-events has consistently found no substantial evidence of increased jobs, incomes, or tax revenues for a community associated with any of these things. Focusing our attention on research done by economists, as opposed to that of scholars from public policy or urban development and planning departments, we find near unanimity in the conclusion that stadiums, arenas and sports franchises have no consistent, positive impact on jobs, income, and tax revenues.

Similarly, Baade, Bauman and Matheson (2008, 798) find that "ex post analyses of stadiums and franchises…generally find little or no economic benefits from professional sports teams or new playing facilities." For Johnson, Groothuis and Whitehead (2001, 7), the "research is clear. Stadiums and professional sports do not generate significant increases in income."

Siegfried and Zimbalist (2000, 103) observe that "Few fields of empirical economic research offer virtual unanimity of findings… independent work on the economic impact of stadiums and arenas has uniformly found that there is no statistically significant positive correlation between sports facility construction and economic development.

In 1997, Noll & Zimbalist (1997, 496) collaborated with fifteen academics to examine the economic impact of sports teams and stadiums on local and regional economies. They found that the studies compiled in the resulting book "uniformly conclude that metropolitan and central city economic development is not likely to be affected by a sports team or facility." Baade and Sanderson (96), collaborators in the project, found that "In general, independent scholarship has concluded that studies claiming substantial contributions to the local and regional economies from professional sports systematically exaggerate the real contribution."

These conclusions are consistent with Zipp's survey of the research (1996, 160), where he finds that:

> "…scholarly researchers have found that teams and stadiums generate few economic benefits for their locales….In a series of analyses covering all or part of the last three decades for different subsets of major-league cities, they found that hosting a team and/or building a new stadium had a negative (or had no positive) effect on the area's share of regional personal

income and generally no effect on the area's share of employment, capital formation, or value-added in manufacturing."[65]

Finally, these conclusions appear to be consistent among peers. Gregory Mankiw, Professor and Chairman of the Economics Department at Harvard University, cites the 2006 Robert Whaples survey finding that 85% of 210 Ph.D. economists polled favored eliminating state and local government subsidies to professional sports franchises.[66]

The literature reviews highlighted above examined peer-reviewed research by academic economists measuring primarily tangible economic benefits, to include changes in taxable sales, income, employment and tax revenue. For a representative single summary of this research, published through 2007, see Coates and Humphreys (2008).[67]

RESEARCH REGARDING POSSIBLE SOCIAL CAPITAL OR INTANGIBLE BENEFITS

Proponents of public subsidies for professional sports facilities claim another benefit accruing to the host community from the presence of franchises: generation of social capital. Howard & Crompton (2014, 287-325) explain that social capital "relates to enhancing a community's brand equity,"[68] which has two dimensions:

- External or indirect social capital which results in tangible benefits through the attraction of tourists and new businesses to the area, the result of media exposure and "image transfer" from sporting events;[69] and
- Internal social capital which results in intangible benefits in the form of community pride and self-esteem.[70]

As to the external social capital, the authors find (293, 298 & 312) that the "incremental contribution of a sports event, facility or teams to the image of those cities is likely to be relatively small…but proportionately more substantial" to the image of smaller cities. As for attracting business to an area, thereby functioning as a stimulus in economic development, they suggest "the probability of there being

[65] Zipp's (1996) unique initial individual contribution to the research was to measure the economic impact of the major league baseball strike of 1994 on the "retail trade and hotel room sales in the 24 U.S. cities hosting baseball franchises and in 4 control cities." He found that "the strike had little, if any, economic impact on host cities." Zipp replicated this approach in measuring the impact of the strike on Spring Training in Florida in 1995, where the teams fielded replacement players in lieu of the striking major league players. He found "that, whatever losses in tourism occurred with replacement spring training in 1995, these did not have a noticeable negative impact on one indicator of economic performance -- taxable sales -- in the Florida counties that host spring training. See "Spring Training" in Noll and Zimbalist (1997, 427-451)

[66] See Greg Mankiw's Blog, @ *http://gregmankiw.blogspot.com/2009/02/news-flash-economists-agree.html* Citing Robert Whaples (2006) "Do Economists agree on Anything? Yes! *Economists' Voice,* The Berkeley Electronic Press. November, 2006

[67] These major contributors include: Baade and Dye (1988 and 1990); Baade (1996); Rosentraub (1996 and 1997); Zipp in Noll and Zimbalist (1997); Baade and Sanderson (1997); Hudson (1999); Coates and Humphreys (1999, 2001, 2002, and 2003a); Gius and Johnson (2001); Nelson (2001); Miller (2002); Austrian and Rosentraub (2002); Santo (2005); Lavoie and Rodriguez (2005); and Lertwachara and Cochran (2007). Post-2007 research could include: Baade, Baumann and Matheson (2008); and Jasina and Rotthoff (2008).

[68] Howard and Crompton define brand equity as "the strong and distinctive favorable attributes that people associate with the city in their memories." (2014, 287)

[69] Baade (in Pindus, Wial and Wolman 2010, 194-195) refers to this as economic "signaling."

[70] Howard and Crompton define community pride as the aggregation of "personal psychic income from their emotional attachment to a sport entity…"(303) which promotes social cohesion, an "important component in the collective experience of communities that ties residents together across race, gender, and economic lines." (309) However, they note this cohesion "is likely to be ephemeral." (312)

immediate and direct business gains is remote." However, the authors offer that "there are four conduits through which sport facilities may induce positive business outcomes:"

- Attraction from increased awareness;
- Attracting talent;
- Facilitated networking at sport facilities; and
- Facilitated networking at mega-events.

Howard and Crompton (312-318) identify efforts to measure social capital benefits through the contingent valuation method (or CVM), "which places a dollar values on goods and services not exchanged in the marketplace" through surveys of area residents. They explain that:

> "These benefits derive from two sources. First, private consumption benefits are enjoyed by those who attend a sports event, but perceive they receive more benefits from it than they pay for in the admission prices...Second, public consumption benefits, which refers to the 'free riders' who benefit from social capital emanating from a sports team or mega event, but do not compensate the property owners for the satisfaction and enjoyment they receive."

They found that though the number of CVM studies is small, they "are unanimous in revealing that the social capital that residents perceive to accrue does not justify the magnitude of public tax expenditures on major league facilities and franchises."

Using CVM, Johnson, Groothuis and Whitehead (2001, 20) measured the value of public goods generated by an NHL team in Pittsburgh, finding that the value is far less than the cost of building a new arena. From this research, they conclude that "the value of public goods generated by major league sports teams may not be large enough to justify the large public subsidies typically offered to most stadiums and arenas built today."

Carlina and Coulson (2004, 26) use a different measurement approach, assessing the economic sacrifice people would accept in return for living in a "major league" city. They found that residents were willing to accept higher rents and lower wages for the privilege of living in central cities and metropolitan areas with franchises of the National Football League. The researchers concluded that:

> "…the evidence provided in our study, the high valuation placed on other quality-of-life characteristics found in other studies, and the increased willingness to increase public funding for new NFL stadiums after losing a team are substantial evidence that the quality-of-life benefits associated with hosting an NFL team may justify the seemingly large public expenditures.

However, they caution that:

> "…assessment of benefits and cost associated with sports teams is a complex problem. Despite our careful attempt to control for the many local factors that could affect rents, it's possible that our estimate of the implicit price of NFL amenity is overstated because we failed to control for some factor that is positively correlated with the both the presence of an NFL team and rents. If this is the case, then our estimate of the benefits used in the cost-benefit analysis is overstated.

After re-estimating Carlino and Coulson's model "using several alternative reasonable specifications, " Coates, Humphreys and Zimbalist (2006, 125) found the presence of an NFL franchise did not increase rents for apartments in the center city. While Coates, Humphreys and Zimbalist stated they:

> "…encourage economists to continue this line of research because we believe that these indirect and non-pecuniary benefits are an important component of the overall social benefits that flow from professional sports. However, we believe that the evidence presented by Carlino and Coulson is too weak to be used by public policy makers to justify billions of dollars of public spending on sports facilities."

In response, Carlino and Coulson (2006, 132) found that Coates, Humphreys and Zimbalist's modeling suggestions were "entirely unpersuasive, or they provide quite strong additional evidence of an NFL contribution to quality of life…"

In his review of the academic literature, Irani (1997, 251) concludes that the "welfare gain" generated by publically funded facilities has been ignored. His research found a consumer surplus for baseball games resulting from publicly-funded stadiums, using 1972 to 1991 data on ticket prices and attendance. However, Irani notes that the "…welfare loss associated with financing the stadium through increased taxes was completely ignored in this study. Finally, it is not clear whether the estimated consumer surplus overstates or understates the true benefits of the stadium to the city."

In their measure of consumer surplus, Alexander, Kern and Neill (2000, 235) concluded that "for most franchises in baseball, football, basketball, and hockey, the consumers' surplus from attending games may be insufficient to justify building a facility at public expense on benefit-cost grounds."

In his article "In Defense of New Sports Stadiums, Ball Parks and Arenas," Sanderson (2000, 175 and 184) identifies a "set of alternative theoretical points and considerations" to explain the construction boom in the sports industry, and the public funding that enables the boom. He identifies the "natural economic forces" as well as considerations in three categories: (1) the extent to which public funding for sports stadiums is different than, or consistent with, changes in public sector commitments for other purposes over time; (2) welfare or surplus aspects; and (3) the presence of positive externalities and the public-goods nature of sports, which could justify public subsidies.

While this last consideration is represented to some extent in the academic literature, and to a large degree in proponent studies, Sanderson finds (188) there is "ample casual empirical evidence to suggest that the role of and interest in sports extends well beyond the turnstile tallies" which could justify public subsidies. As to the efficiency of public subsidies, he offers (189) an analogy:

> "There are likely a number of activities that do not pass benefit-cost tests on the basis of direct scrutiny, but that are nevertheless socially efficient in a broader context. Sports teams and facilities may be one, recycling programs another. Studies suggest that, on average, recycling is an economic loser because the total collection costs exceed the value of the materials to be recycled. But people, even armed with that information, and knowing that recycling is implicitly taking away from other worthwhile foregone alternatives, such as more police, parks, and street repairs, or even a tax rebate, may still vote to continue recycling their newspapers, cans and bottles because the "feel-good" factor is sufficiently large. The corresponding question here is how large the feelgood factor of a professional franchise or a new stadium is, in terms of civic pride or even some "existence value."

Further, Sanderson concludes (192) "(i)t would not take much in the way of externalities, public good elements, consumer surpluses and an option value from a sports franchise to justify a commitment of, say, twenty to forty dollars a year per capita on debt service on a stadium."

In 2006, Rosentraub (2006, 289) calculated that the public subsidies for the three professional sport facilities in Cleveland cost each household $81.77 annually. He concluded that "if the three teams produced at least $6.81 in intangible benefits for each household each month, the investment by the county would be revenue neutral." While acknowledging (2010, 3) that current sports-related development simply changes where people spend money, Rosentraub (2010, 25) argues for "shrewd investments" in social capital -- sports, entertainment, and cultural amenities -- to leverage development, as they are assets necessary to "attract and retain the human capital necessary to build a twenty-first century economy."

In their own research, Rappaport and Wilkerson's found (2001, 70) that "the public outlay on current sports projects far exceed any associated jobs and tax benefits." However, they conclude (77) that a "strong case can be made…that the quality of life benefits from hosting a major league team can sometimes justify the large public outlay associated with doing so." While they note (72) that "valuing the happiness metro area residents derive from the presence of a major league team is extremely difficult…" they conclude (77) that:

> "…if the contribution to metro area residents' happiness from hosting a major league sports franchise is similar in magnitude to that from an additional day of pleasant weather per year, the net present value quality-of-life benefit may indeed approach the magnitude of recent public outlays on sports facility construction."

Noll and Zimbalist (1997, 58) conclude externalities are "extremely difficult to quantify." Long (2013, 179) suggests that while intangible symbolic benefits are probably significant, they "are very difficult to measure and irregularly distributed in favor of sports industry producers and consumers." Siegfried and Zimbalist (2000, 101-103) find that to the extent that subsidies result in a consumer surplus, the beneficiaries "tend to be of higher-than-average income." In addition, proponent efforts to substantiate the positive economic benefits of a facility "suggest that, on balance, the perception is that the value of consumer surplus and externalities falls short of the requested subsidy level."

Zipp (1996, 179) questions whether the assumption that the presence of a professional sports team in a community benefits the "psychological health and civic pride" of community residents is valid. First, is this benefit is widely distributed across the different groups in the community? Second, the value of this benefit may be subordinate to other sources of civic pride and identity.

Weighing the negligible or negative tangible economic benefits against the perceived, positive intangible benefits is necessary to make informed decisions concerning public subsidies for professional sports facilities. In hearings addressing proposed legislation in 1999 before US Senate Committee on the Judiciary to limit the use of public funds in professional sports facilities, Andrew Zimbalist offered the following perspective:

> "Although teams and leagues often hire consulting firms to publicize purported positive economic impact from sports stadiums, all independent academic studies have found that there is no statistically significant positive effect from having a new team or stadium on an area's

economy. This fact alone does not mean that there should be no public subsidization of new stadium construction. If the voting public in an area believes that having a new facility or team would enhance the local culture and create a positive consumption value for its citizens, then the public may very well decide to expend tax dollars in support of sports teams--much the same way they may decide to use public funds for park construction (albeit in the case of sports teams the subsidies are eventually appropriated by the private owners of the franchises). The voters, however, need to understand that they are voting for cultural, not economic, value."

From Noll and Zimbalist's (1997, 73) perspective, the:

> "…relevant question is not whether a pro sports team makes a city more attractive for corporate executives, but whether the most effective way to spend $200 million to $300 million with a view to attracting new business is to build a new stadium to attract a team."

Finally, Coates (2008, 575-576) concludes that:

> "Measures of the consumer surplus and public benefits of stadiums and franchises are often substantial. As large as these benefits are, rough calculations indicate that they are not necessarily large enough to justify subsidies of hundreds of millions of dollars.

GENERAL EXPLANATIONS FOR THE INCONSISTENT CONCLUSIONS

In 2000, Siegfried and Zimbalist (2000, 103) observed that:

> "Few fields of empirical economic research offer virtual unanimity of findings. Yet, independent work on the economic impact of stadiums and arenas has uniformly found that there is no statistically significant positive correlation between sports facility construction and economic development. …These results stand in distinct contrast to the promotional studies that are typically done by consulting firms under the hire of teams or local chambers of commerce supporting facility development.

Independent academic economists offer six general reasons for these conflicting results. First, the economic impact studies commissioned by proponents of projects or programs typically measure gross economic activity rather than net economic impact.[71] These studies, in whole or in part, do not adequately account for the substitution effect and leakages in spending, and do not address opportunity costs and other conditions that affect or inform the measure of economic impact. Ignoring these factors has significant implications in calculation of economic impact.

To illustrate, Hudson (2001, 29 and 32) examined 19 economic impact studies for 13 projects to account for the variation in estimates of economic impact of major league sports teams. All but one of the studies was financed by subsidy proponents. Hudson found that none of the studies accounted for

[71] Net impact is a measure of change, expansion or contraction, to the area economy; gross impact is a measure of economic activity, attributed to, in this case, a facility. Gross impact does not result in a net impact, unless it results in a change to the area economy. Weisbrod and Weisbrod (1997, 11) state that economic impact studies should avoid confusing the economic role (*gross effect*) of a facility or project from its *net impact* on the area economy. *See* Howard and Crompton 2014, 197; Baade, in Pindus, Wail and Wolman 2010, 186-187; Rosentraub and Swindell, 2009, 323; Crompton 2006, 71; Hudson 2001, 27-28; Zimbalist 2000, 19; Noll and Zimbalist 1997, 68-75; Baade and Sanderson in Noll and Zimbalist 1997, 97; Zimmerman in Noll and Zimbalist 1997, 142; Zimbalist 1998, 19-20; and Burns and Mules 1986a, 12. As to measuring revenues, see Noll and Zimbalist 1997, 14-17.

opportunity costs. More important, 13 of the 19 studies included local resident spending in their estimates, and 15 studies included spending by "casuals," who are visitors in the area for other purposes that elect to attend the game instead of doing something else. Ignoring this substitute spending resulted in measures of gross rather than net impact, leading to overstatements of economic impact.

Hudson's findings may not be surprising, as Crompton (2006, 71) notes that consultant studies often do not claim to measure net economic impact. Rather, such studies state their conclusions are based on measures of:

> "…economic activity…total annual spending, gross economic impact, economic surge, gross economic output, gross economic value, total contribution to the economy, economic significance or some other analogous phrase that facilitates the incorporation of local residents' expenditures into their analyses."

A second explanation for conflicting results is that economic impact studies are commissioned and funded by proponents, advocates, interested parties, and beneficiaries, which, as observed by Coates and Humphreys (2004, 3), "invariably reflect the desires of the people who commissioned them." [72] Howard and Crompton (2004, 154-155) conclude that:

> "Economic impact studies are not value-free tools, because their results are dependent upon the assumptions that guide the analysis, assumptions that invariably agree with those of the study sponsor. Most economic impact studies are commissioned by sponsors who seek numbers that will support their advocacy position. Unfortunately, this often leads those undertaking the studies to adopt procedures and underlying assumptions that substantially bias the results in a direction desired by the sponsors. Indeed, most of these reports should be viewed as political documents designed to support an advocacy position rather than as legitimate studies of economic impact."

Some have rationalized the discrepancies between consultant studies and academics by analogizing the role of the consultant as the expert witness in a lawsuit "who comes to testify in support of the side that is paying the expert's bill…," or as a lawyer, representing a client by presenting "findings in the best light, hopefully short of being overtly misleading."[73] Long (2005, 139) argues that because of the inherent conflict of interest between consultants and study sponsors, "it falls to the academy to monitor subsidy deals and to demand the *ex ante* analyses and increased transparency that will lead to better decision making."

Third, the author's academic discipline may influence research findings. Coates and Humphreys (2008, 301) observe that:

> "The individuals who either do not hold a doctorate in economics or have not worked in economics departments or whose research is published primarily in public policy or urban or regional science journals tend to reach conclusions generally at odds with **"**economist"

[72] Also see Howard and Crompton 2014, 187-190; Baade, in Pindus, Wail and Wolman 2010, 173; Santo 2010, 57; Crompton 2006, 68-70; 1995, 15-18; Coates and Humphreys 2000, 17; and Zimbalist 1998, 19.

[73] Howard and Crompton (2014, 190) citing Curtis (1993, 7) and Crompton (2006, 80) citing personal communication with Daniel Stynes of Michigan State.

> authors—that is, those that hold a doctorate in economics, work or have worked primarily in economics departments, or publish predominantly in economics journals."

Other disciplines may emphasize different aspects of facility projects, such as downtown revitalization, or may attribute more weight to intangible outcomes.

Fourth, unlike consultant studies, research by academic economists is subject to peer review before publication. The "client" is the academic community rather than project proponents, serving as a check on research methods or assumptions that deviate from accepted academic norms. Coates and Humphreys (2008, 302) understand this factor as important, observing that:

> "…(t)here now exists almost twenty years of research on the economic impact of professional sports franchises and facilities on the local economy. The results in this literature are strikingly consistent. No matter what cities or geographical areas are examined, no matter what estimators are used, no matter what model specifications are used, and no matter what variables are used, articles published in peer reviewed economics journals contain almost no evidence that professional sports franchises and facilities have a measurable economic impact on the economy."

Fifth, proponent studies are prospective, relying on conclusions drawn from predictive input-output models to project the economic impact of facility construction and franchise operations. Academic peer-reviewed research is typically retrospective, based on an evaluation of actual outcomes.

Finally, proponent studies fail to acknowledge that while professional sport teams may be "big business" in popular culture or local areas, they are actually relatively modest-sized operations.[74] As such, they are unlikely to have significant regional or statewide impact predicted in consultant studies. Zimbalist (2014, 1) observes that:

> In 2011-12, for instance, the average NBA team generated approximately $130 million in revenue. This equals less than 0.03 percent of the disposable income of New York City. The typical front office of a team employs 70 to 140 people on a full-time basis. Most of the other employees work game days, meaning roughly four hours per game for between 10 and 81 home games per year, depending on the sport. Game day workers (in concessions, catering, ticket sales, ushering, grounds keeping, security) generally number between 800 and 2,000. In the NFL, for instance, with 1,500 game day employees, each working 40 hours per season, there's a total of 60,000 hours per year of work, or the equivalent of 30 full-time, year-round jobs. Moreover, these jobs are basically low-skill, low-wage, and without benefits.

While the value of pro franchises is significant, the revenues they generate are relatively modest.[75] Combine team spending with realistic estimates of new spending by visitors attending sporting events,[76] and the impact is still modest relative to the overall economy. Consequently, Santo (2010, 53) concludes "it would seem difficult to argue that stadiums and sporting events can service as economic engines."

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[74] See Howard and Crompton 2014, 226; Santo, 2010, 50-52; Zimbalist 2013, 94; 1998, 18; Coates 2007, 569; Sanderson 2000, 174; Siegfried and Zimbalist 2000, 104; Zimbalist 2000, 18; Rosentraub 1999, 144-148; and Zipp 1996, 177.

[75] Zimbalist (1998, 18) analogizes that such impact is "similar perhaps to the influence of a new department store."

[76] Agha and Rascher (2013, 16), note that Jones (2012) reports football stadiums are used an average of 23 days in a year and arenas are used an average of 197 days. Major league baseball stadiums host 81 regular season games.

MEASURING ECONOMIC BENEFIT

The previous section offered a general explanation for the inconsistency between the conclusions of economic impact studies commissioned by proponents of public subsidies for professional sport franchises and peer-reviewed research by independent, academic economists. This section discusses the primary issues related to measuring economic benefit, as recognized in the academic literature.[77]

Substitution Effect on Event Spending[78]

First, there is consensus that tangible economic benefits to the area economy from subsidies for professional sports are primarily the result of new spending in the area economy associated with the franchise and facility. This new spending includes expenditures by visitors from out-of-area, to the extent that such spending would not have otherwise occurred absent attending the event. While very difficult to determine, new spending could also include "deflected" spending by in-area residents who would have otherwise spent the money out-of-area.

New spending does not include expenditures by "casual visitors" or "time-switchers," whose primary purpose for visiting is unrelated to the event. As defined by Agha and Rascher (2013, 4 and 5):

- "Casuals" are visitors who visit the local economy for a reason besides the team and then decided to attend a game once they are in town; and
- "Time switchers" are those visitors who were planning a trip to the local economy anyway and changed the timing of their trip to coincide with a game.

However, if casuals or time-switchers extend their planned visit to attend an event, Howard and Crompton (2104, 201) suggest the incremental increase of their expenditures may be considered new spending.

New spending specifically excludes "substitute" spending by in-area residents. In this context, the "substitution effect" is described as spending limited disposable entertainment income in or about the sports facility rather than in other areas of the local economy, or increases in discretionary spending in one area of the economy at the expense of another. Academic economists identify this as one of the major errors in proponent economic analyses, resulting in a measure of gross rather than net economic impact.

In testimony before the U.S. Senate Committee on the Judiciary in 1999, Zimbalist noted that in contrast to a manufacturing facility that exports goods, "most of the money that gets spent at a sports arena or sports facility is re-circulated money within the town." At this same hearing, Rosentraub stated that spending related to sports facilities:

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[77] For overviews of this issue and discussion of related research, see Howard and Crompton 2014; Agha and Rascher 2013; Long 2013; Baade in Pindus, Wail and Wolman 2010; Rosentraub 2010, 1999; Santo 2010; Rosentraub and Swindell, 2009; Coates and Humphreys 2008, 2003; Coates 2008; Crompton 1995, 2006, 2013; Hudson 2001; Rappaport and Wilkerson 2001; Stynes 2001; Zaretsky 2001; Siegfried and Zimbalist 2000; Noll and Zimbalist 1997; Zipp 1996; and Burns and Mules 1986a.

[78] See Howard and Crompton 2014, 192-202; Agha & Rascher 2013, 4-5, 8-10; Long 2013, 8-9; Baade and Matheson 2011, 8-15; Santo 2010, 57-58; Baade in Pindus, Wial and Wolman 2010, 186-188; Coates and Humphreys 2008, 298; Baade, Baumann and Matheson 2008, 796; Crompton 2006, 70-72; 1995, 26-29; Coates 2003, 7-8; Hudson 2001, 27-28, 37; Rosentraub 1999, 132-133; Siegfried and Zimbalist 2002, 363; Siegfried and Zimbalist 2000, 99-100; Rappaport and Wilkerson 2001, 62; Zaretsky 2001, 3; Johnson, Groothuis and Whitehead 2001, 7; Zimbalist in Rich 2000, 60; Sanderson 2000, 173; Noll and Zimbalist 1997, 55-75; and Burns and Mules 1986, 8-9, 12-13.

"…largely reshuffles existing spending for recreation among activities in a region**.** In other words, in the absence of a team, the money spent by people will continue to be expended for other recreational pursuits. To be sure teams do attract a number of visitors to a community to attend games. In addition, the presence of a team does encourage people to spend their discretionary income on local events as opposed to games or activities in other regions. The combination of economic development from both of these sources has been found to be quite small."

Baade and Sanderson (in Noll and Zimbalist 1997, 112) agree, finding that over a 35 year period in 10 MSAs "professional sports realign economic activity within a city's leisure industry rather than adding to it." Santo (2010, 60) concludes that "stadiums do not create much new spending; they simply cause a reallocation of leisure spending." [79]

Facility Capital Expenditures

New spending could also include capital expenditures related to facility construction. The impact of such spending is greater when surplus in-area contractors, services, and labor are used; [80] and made-in-area materials are purchased.[81]

Proponent studies frequently cite the economic benefits associated with facility construction. While individual construction firms, labor unions, and financiers may benefit, the net impact on the area economy will be negative or negligible if existing activity is displaced by the facility construction project. Noll and Zimbalist (1997, 60) conclude that:

"…if project workers would otherwise be employed at the same wage if the project were not undertaken, there is no net income arising from the public investment. Instead, the public investment is crowding out other activities of equal cost, and the workers are affected only insofar as the source of their income has changes."

Miller's research (2002, 170) appears to support this conclusion. He examined the St. Louis construction industry's employment during the periods in which two professional sports facilities were being built. Miller found that "there was neither more nor less construction employment within the St. Louse MSA" during time the projects were being constructed. Instead of creating new construction jobs, "jobs were shifted from projects that would otherwise have been undertaken, resulting in no new job creation in the construction industry."

Miller's findings are consistent with Long's (2013, 180) observation that "most economic analyses demonstrate that sports facilities produce very few or no net new economic benefits relative to construction costs alone…"

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[79] As for estimates of out-of-area attendees, Siegfried and Zimbalist (2002, 363) state: "The experience of professional sports teams suggests a general range of 5% to 20% of attendance accounted for by people from outside the local area. Agha and Rischer (2013, 5) compiled figures for visitors from four studies, listing ranges from 5% to 52%. However, the sources in these studies of the figures greater than 20% were the teams, consultants, or local government -- not independent researchers. Agha and Rischer note that designation as a visitor depends on the definition of the local geographic area. Additionally, "mega-events" may draw more out-of-area attendees that regular sporting events.

[80] See Zimbalist 2014, 96; Agha and Rascher 2013, 14; Crompton 2006, 70; Miller 2002, 161; Coakley 1998, 344; Noll and Zimbalist (1997, 61); and Rosentraub and Swindell 1991, 155.

[81] Stynes (2001, 4) clarifies that "for goods that are manufactured outside of the area, only the retail margin and perhaps some portion of the wholesale and transportation margins" should be considered. "The cost (producer price) to the retailer or wholesaler of the good itself leaks immediately out of the region's economy." Also see Burns and Mules 1986, 12-13.

This may be due to a combination of additional factors. First, construction projects have a limited duration so the impacts are mostly transitory. Also, stadiums and arena project are likely to require some special materials, equipment, and subcontractors that would have to be imported into the local area, which results in higher leakages than routine construction projects.

Leakages[82]

Spending associated with subsidized sport facilities tend to have higher leakages relative to other economic development projects, and programs or alternative uses of the funds. In this context, leakages refer to the amount of the new spending by visitors that leaves the local economy, either through the team's spending (salaries and other operating expenditures) or the industries (hotels, restaurants, etc.) where new spending by event attendees occur.

Team spending has relatively greater leakage, in part, because most of the proceeds from sports spending pays the salaries of owners, players and top administrators of the franchise, who may reside (and spend) outside of the host area, and likely invest much of their disposable salary. Most of the remaining sports jobs are part-time and low wage service sector jobs, which also have lower relative multipliers than other industries. Siegfried and Zimbalist (2000, 362) conclude that proponent studies "ignore or underestimate" these leakages, assuming that spending by franchises "has a similar effect on the local economy as spending on other consumption goods and services." Similarly, Noll and Zimbalist (1997, 68 & 71) find that economic impact studies typically "overstate the extent to which the income generated by the team is retained in the local community..." and that "the magnitude of these external transfers and expenditures is substantial and varies enormously among sports and teams." Similarly, Zipp (1996, 178) finds that "much of the fan spending associated with sports (on concessions, hotels, chain restaurants, and so forth) leaves the area almost instantly."

Opportunity Costs[83]

In this context, Howard and Crompton (2014, 256) define opportunity costs as "the benefits that would be forthcoming if the public resources committed to a sport project were (1) redirected to other public services, or (2) retained by the taxpayer." Economic impact studies commissioned by proponents typically do not address the opportunity cost of the public subsidy for professional sports facilities.

Identifying opportunity costs acknowledges that limited public funds spent to subsidize sports facilities will be at the expense of government spending for other projects or programs, or spending by individuals subject to taxation. Such public investments should be compared with the best feasible alternatives. Baade and Matheson (2011, 14) conclude the "litmus test arguably should not be whether sport induces an increase in economic activity, but rather is it the most efficient method for improving the economy." Regarding public subsidies for professional sports facilities, Zaretsky (2001, 1) observes that:

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[82] See Zimbalist 2014, 94; Howard and Crompton 2014, 223-225; Agha & Rascher 2013, 10; Santo 2010, 58-59; Baade and Matheson 2011, 11; Baade in Pindus, Wial and Wolman 2010, 188-190; Baade, Baumann and Matheson 2008, 797-798; Crompton 2006, 75; Coates and Humphreys 2003, 343; Siegfried and Zimbalist 2002, 364; Siegfried and Zimbalist 2000, 105; Sanderson 2000, 173; Baade and Sanderson in Noll and Zimbalist 1997, 94; Zimbalist 1998, 20; and Zipp 1996, 178.

[83] See Howard and Crompton 2014, 256-260; Agha & Rascher 2013, 11-12; Baade and Matheson 2011, 14; Rosentraub and Swindell 2009, 223-224; Coates and Humphreys 2008, 299; Crompton 2006, 75-76; Coates 2003, 243; Siegfried and Zimbalist 2000, 99-100; Zaretsky 2001, 3; Sanderson 2000, 174; Noll and Zimbalist 1997, 60-63; Baade and Sanderson, in Noll and Zimbalist 1997, 112; and Burns and Mules 1986, 18.

> "…almost all economists and development specialists (at least those who work independently and not for a chamber of commerce or similar organization) conclude that the rate of return a city or metropolitan area receives for its investment is generally below that of alternative projects.

Rosentraub and Swindell (2009, 224) note that scholars differ on whether addressing opportunity costs should be considered in an economic impact analysis, as "some instead argue that such costs should be included in the estimates of a cost-benefit analysis." However, they conclude that ignoring opportunity costs increases "the apparent magnitude of benefit from an economic impact analysis."

Additional Misapplications and Omissions of Proponent Studies

As discussed above, economic studies commissioned by proponents of public subsidies for professional sports facilities are likely to fail to recognize or account for the substitution effect of consumer spending, leakages in both visitor and franchise spending, and the opportunity costs of public (or taxpayer) expenditures. Academic economists have identified additional "misapplications, omissions, and gratuitous assumptions" which contribute to overly-optimistic economic impact studies and inconsistencies with peer-reviewed research by academic economists.

Failure to account for the substitution effect, spending leakages, and over-estimating the economic benefit of capital expenditures has implications in the application of **multipliers** in calculation of economic impact.

The multiplier effect is a key feature of economic impact studies, as it "recognizes that changes in the level of economic activity created by visitors to a sports facility or event bring changes in the level of economic activity in other sectors and, therefore, create a multiple effect throughout the economy."[84] Different types of multipliers are used, depending on what impact is to be measured; sales, income and employment multipliers are the most widely used in economic impact studies. Simply put, the appropriate multiplier is applied to qualified expenditures to arrive at an estimate of economic impact. To the extent they exist, the multiplier compounds any errors and omissions in initial expenditures.

The **size or extent of the defined "area economy"** also has implications in the measure of economic impact.[85] Noll and Zimbalist (1997, 65) find "the magnitude of net benefits depends precisely on how the lines are drawn to differentiate internal and external effects." Hudson (2001, 28) describes it this way:

> "It is advantageous to use a quite small area when defining locals and visitors so that as many spectators as possible are included in the latter category, making them eligible as increases in local economic activity. On the other hand, a large geographical area permits a larger economic

[84] Crompton 1995, 18-24; also see Howard and Crompton 2014, 202-214; Santo 2010, 53-57; Baade in Pindus, Wial and Wolman 2010, 174, 188; Crompton 2006, 73-75; Siegfried and Zimbalist 2002, 363; Siegfried and Zimbalist 2002, 99-100; Rappaport and Wilkerson 2001, 63; Zaretsky 2001, 3; Hudson 2001, 24-27; Rosentraub 1999, 137-144; Zimbalist 1998, 21; and Burns and Mules 1986, 8-9, 13-15. The multiplier effect is measured by applying a ratio to the direct effects of the activity to project the indirect and induced effects. In this case, the direct effects are (1) expenditures by non-excluded, out-of-area visitors; and (2) qualified capital and operating expenditures. 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.

[85] Howard and Crompton 2014, 208-211; Long, 2013, 8; Santo 2010, 59; Baade in Pindus, Wial and Wolman 2010, 191; Crompton 2006, 75; Siegfried and Zimbalist 2002, 363; and Hudson 2001, 28;

> impact, because a larger multiplier can be used. Some studies have attempted to get the best of both worlds by using a small area when defining visitors and a larger area when applying the multiplier…Altering the geographic area of interest in this fashion is a serious flaw in the analysis, again used to inflate the economic impact."

Rosentraub and Swindell (2009, 223) assert that "using variable geographic areas as the basis for different aspects of the analysis" is one of the common errors in economic impact analyses. For example, Zimbalist (1998, 28) notes that the 1996 study of the proposed Yankee stadium considered "New York City as the local area for purposes of out-of-town expenditures but New York state as the relevant area for considering multiplier linkages."

Crompton (1995, 25) cautions that when a small area economy is specified, "it is crucial that only visitor spending *within the defined area* be included in impact studies and *not total* visitor expenditures, considering some of that spending may have occurred outside the area."

Another factor that influences measures of economic impact is the **displacement or "crowding out" effect**. While major events at sports facilities will likely attract out-of-area visitors, they may also deter other visitors who would have otherwise come to the area but did not, principally to avoid the crowds or because they could not get accommodations. Baade and Matheson (2011, 10) explains it this way:

> "The crowds and congestion associated with major sporting events tend to reduce other economic activity in the local area, as sports fans displace other individuals. As with the substitution effect, sports tend to affect the allocation of economic activity across businesses and different sectors of the economy but not the total amount of activity that occurs."

This displacement of local activity has two aspects: locals stay home or take their spending out-of-area.[86] To the extent that attendees of major sporting events replace other potential visitors or deter other local spending, there is no net economic gain. Agha and Rascher (2013, 17) note that this "phenomenon is often over-looked and difficult to quantify."

As to economic development efforts in conjunction with sport facilities, Crompton (2006, 77-8) finds that proponents may "**expand the project scope**" and attribute additional economic gains to the facility as they serve as catalysts for speculative redevelopment of surrounding blighted areas. He claims this inflates the projected economic impact of the facility, as this "synergy" proves to be mythical for many of these projects. Additionally, if the project does spur redevelopment, it is likely redirected investment from other areas of the local economy, not new out-of-area spending.

Crompton (2006, 77) also observes consultant studies inappropriately attribute economic benefit to replacement or renovated facilities. When a new facility replaces an old facility, "only the incremental gains uniquely attributable to the new facility constitute new economic income to the community." However, this assertion could be challenged if proponents definitively established that "but-for" the subsidized renovation or replacement, the team would relocate to another region and the economic benefit of the franchise would be lost.

[86] Coates and Depken (2011, 613) refer to this as the "hunker down" and "skedaddle" effects. Also see Howard and Crompton 2014, 250-255; Agha & Rascher 2013, 17-18; and Crompton 2006, 76-77.

APPORTIONMENT

When financing responsibilities are shared, the economic benefit should be proportionately attributed among the contributors. Burns and Mules (1986a, 10, 31) suggest that:

> "Where only part of the costs are funded by the government, the analysis should either attribute all benefits to joint costs or else attempt to ascertain the marginal effect on benefits received by the additional funding made possible by the government. If all the benefits generated by joint private-public sponsorship of an event are attributed to the government contribution alone, the benefit-cost ratio may falsely appear very favourable. This is especially true if the government contribution is a relatively small amount of the total."

While Crompton (1995, 30) supports this perspective, he observes that:

> "This viewpoint is conceptually logical, but it is not widely accepted by those involved in conducting economic impact analyses, possibly because it ignores the pragmatic reality of public-private sports partnerships. Proponents of attributing all the economic benefits to the government entity's contribution argue that it is the key to leveraging private sector participation in a venture. In such cases, without the public investment there would be no private investment and the sports event would not take place."

For Hudson (2001, 24), if this "but for" assertion is valid, then "it is surely a mark of efficient subsidization if a government can spend as little as possible while ensuring" that a facility project goes ahead. If a sports franchise would have left absent the government subsidy, "it seems valid for the government to claim the full economic benefits."

In light of these perspectives, the economic benefit could be attributed in one of two ways. The estimated benefit could be distributed to all entities, public and private, that contribute to the financing of the facility, in proportion to their respective shares of the total investment. Second, the benefit could be attributed in proportion to each share of the total public contribution. For example, if both the state and one or more local governments contribute to the financing and on-going operation of a facility, the ROI should correspond to the split between those public entities.

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THE FLORIDA SENATE

APPEARANCE RECORD

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1-20-15
Meeting Date

____
Bill Number (if applicable)

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Topic: ECONOMIC INCENTIVES SPORTS

Name: LARRY NOVEY

Job Title: CHIEF LEGISLATIVE ANALYST

Address: 1038 HOLLAND DR
Street

TALLAHASSEE FL 32301
City *State* *Zip*

Phone: _______________

Email: _______________

Speaking: ☐ For ☐ Against ☒ Information

Waive Speaking: ☐ In Support ☐ Against
(The Chair will read this information into the record.)

Representing: OPPAGA

Appearing at request of Chair: ☒ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/14/14)

OFFICE OF ECONOMIC
& DEMOGRAPHIC RESEARCH

Return on Investment for the Entertainment Industry Incentive Programs

January, 2015

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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 18 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 2010-11, 2011-12, and 2012-13. In this report, the Entertainment Industry Sales Tax Exemption and Financial Incentive (tax credit) programs are 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:

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

Since EDR's Statewide Model[3] is used to develop these computations and to model the induced and indirect effects, EDR is able to simultaneously generate State Revenue and State Investment from the model so all feedback effects mirror reality. The result (a net number) is used in the final ROI calculation.

As used by EDR for this analysis, the returns can be categorized as follows:

- **Greater Than One (>1.0)**…the program more than breaks even; the return to the state produces more revenues than the total cost of the 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 Methodology section 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 or the state is paying more than the return it receives.

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 the ROI. Some of them are further addressed in the assumptions and findings.

Overall Results and Conclusions

This analysis develops a return on investment for the Entertainment Industry Sales Tax Exemption (STE) and Financial Incentives (tax credit, or FTC) programs and evaluates the key factors that affected their returns. There were three scenarios run for the analysis: two for the FTC program; and one for the STE program.

The STE program generated a positive ROI of **0.54**. The ROI estimate was determined by calculating the tax revenues which resulted from the activity associated with the film-related, music video and sound recording projects that were awarded credits within the three-year window of the analysis. Offsetting some of these tax revenues were tax receipts that would have been collected had the State used the cost of the tax exemptions for the general market basket of goods. A return of less than one means that the tax revenue generated by the project activity was insufficient to cover the cost of the granted exemptions.

Factors that affect the return are:

- Assumes not all recipients of certificates meet the "but for" requirement;
- No requirement for capital investment; and
- Participation in the Entertainment Industry Financial Incentive program.

The first FTC program scenario generated a positive ROI of **0.43**. This ROI estimate was determined by calculating the tax revenues that resulted from the activity associated with the film and digital media projects that were awarded credits, within the 3-year window of the analysis, but includes only the cost to the state of those credits redeemed during that period. Offsetting some of these tax revenues were tax receipts that would have been collected had the State used the cost of the tax credits for the general market basket of goods. A return of less than 1 means that the tax revenue generated by the project activity was insufficient to cover the cost of the credits awarded.

Factors that affect the return are:

- Assumes all projects meet the "but for" requirement;

- No requirement for capital investment;
- Participation in the sales tax exemption program for film; and
- Focuses on credits used and not credits awarded.

The credit award does not require the recipient to certify that the project would not take place in the absence of the credit. There is also no guarantee that some other Florida business, or for that matter a non-Florida business, which did not participate in the awards program may not have undertaken a similar project. This is less likely for feature films than for digital media, video games, TV productions, commercial films, and sound recording projects.

The second FTC scenario calculates the tax revenues that resulted from the activity associated with the film and digital media projects that were awarded credits, within the three-year window of the analysis, but includes the full costs of these credits to the state, whether or not they were redeemed during that period. Most of these unredeemed credits are corporate tax credits. This second FTC program scenario generated a positive result as well. However, the ROI drops from **0.43 to 0.25** when there is a full accounting of all credits awarded. This alternative scenario may provide a more accurate picture of the ROI for a mature program than the first FTC scenario which includes the lag time associated with the program's introduction. The factors that affect the return are similar to the first scenario:

- Assumes all projects meet the "but for" requirement;
- No requirement for capital investment; and
- Participation in the sales tax exemption program for film.

As pointed out above, neither of these programs specifically require that an applicant certify that the subsided activity would not have occurred in the absence of the incentives or tax exemptions. The following analysis assumes that the "but for" assumption holds, in all cases, for the FTC scenarios and in most cases, except where it is clearly untrue for the STE program scenario. As a consequence of this critical assumption, the calculated ROIs should be viewed as a "best case" estimate. In other words, they should be viewed as an upper bound on the "true" ROI of these two programs. This also holds true for the broader economic measures of output, state gross domestic product (GDP), state personal income and employment that are reported below.

Finally, this analysis does not assume any costs associated with the transfer of credits (i.e. discounting), which overstates the true state cost of the program relative to a pure grant program and, thereby, understates the maximum ROI for the same level of activity due to the increased economic efficiency of a grant program.

OVERVIEW OF THE ENTERTAINMENT INDUSTRY SALES TAX EXEMPTION AND FINANCIAL INCENTIVE PROGRAMS AND ROI

Background and Purpose
Florida offers financial incentives to encourage the commercial production of films, television programs, and other motion picture products (such as commercials and music videos), and digital media projects (interactive games, digital animation and visual effects) in the state. Florida's share of production has fluctuated over the years, in part in response to the Florida incentives and those available from competing states. According to the National Conference of State Legislatures, thirty-nine states and Puerto Rico offer some type of film incentive.[4]

As of 2014, Florida ranks 3rd in the nation for its number of film and television production companies. California and New York are 1st and 2nd, respectively. According to IBISWorld, an industry-based research provider, "The movie and video production industry is concentrated in regions that have developed significant studio and production facilities. Close proximity to these resources greatly benefits industry establishments by providing specialization, cooperation and easy access to local movie and video production talent." [5]

The industry is largely concentrated in California, which accounts for 38.4% of total domestic film production. New York holds 14.3% of industry establishments. Florida follows with 5.7% of industry establishments. Filming is done in studio and on location throughout the country.[6]

The Milken Institute reports that California's share of employment in the industry has declined by 10.3 percent from 2004 to 2012, from a 62 to 55.6 percent share. New York's has increased by 27.2 percent over the same period, from a 17.3 to 22 percent share. Florida's share decreased from approximately 6.2 to 4.5 percent of the total employment in the industry, while the shares for Louisiana, New Mexico and Georgia have increased.[7] The production cycle has three general stages: pre-production, principal photography and post-production. California has lost a significant share of principal photography for films and television production to other states as well as locations outside the U.S.; however, it still retains much of the pre-production and post-production activity. The California Legislative Analyst's Office (LAO) reports that in 2012, California (overwhelmingly in Los Angeles County) had 61 percent of the post-production jobs in the U.S.[8]

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[4] As of March 28, 2014. http://www.ncsl.org/research/fiscal-policy/state-film-production-incentives-and-programs.aspx Nebraska and Vermont only offer sales tax exemptions, and North Dakota has a general income tax exemption for which film productions may qualify. This website also includes links to each state incentive program.
[5] IBISWorld – Industry Market Research, accessed 11/25/14.
[6] *Ibid.*
[7] The Milken Institute: "A Hollywood Exit, What California Must Do to Remain Competitive in Entertainment - and Keep Jobs," February 2014, p. 6. Industry employment as captured in NAICS industry code 5121: establishments primarily engaged in producing and /or distributing motion pictures, videos, television programs, or commercials and those exhibiting motion pictures or providing postproduction and related services.
[8] California Legislative Analyst's Office: "Overview of Motion Picture Industry and State Tax Credits," April 30, 2014, p. 10-11.

The Florida Office of Film and Entertainment, Department of Economic Opportunity
The Office of Film and Entertainment (OFE) is responsible for developing, marketing, promoting and providing services to the state's entertainment industry.[9] The Florida Film and Entertainment Advisory Council assists OFE with the ongoing revisions to the OFE's strategic plan and provides the Department of Economic Opportunity (DEO) and OFE with "industry insight and expertise related to developing, marketing, promoting and providing service to the state's entertainment industry."[10]

OFE and the Florida Department of Revenue (DOR) are responsible for administering the two film and entertainment incentive programs offered by the state: the Entertainment Industry Sales Tax Exemption (STE) and the Entertainment Industry Financial Incentive (tax credit, or FTC) programs.

Entertainment Industry Financial Incentive (Tax Credit) Program
The Entertainment Industry Financial Incentive (FTC) Program is offered by the state to encourage the use of Florida "as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production." [11] The program is administered by the OFE, subject to the policies and oversight of the DEO. The program provides tax credits for qualified expenditures related to filming and production activities in Florida. The program began on July 1, 2010 and is scheduled to sunset on June 30, 2016.

Initially a cash refund incentive subject to an annual appropriation,[12] in 2010 the Legislature replaced it with a transferable tax credit program, available as an offset against any liability for the sales and use tax and corporate income tax.[13] These tax credits provide a reduction in taxes due, after verification that statutory or contractual terms have been met.

However, if the activity of the recipients of the credits results in no tax obligation, they are unable to benefit from the credits. To overcome this limitation, incentive recipients have the option to monetize the credits by selling them to an entity that has a tax obligation, either directly or through an intermediary (tax broker), and typically at a discount. The statues also authorize the transfer of the credit back to the state for 90 percent of the face value, however, this option is currently unavailable as no state funds have been appropriated for this purpose.[14]

Annual credit caps were initially set for five years, from FY 2010-11 through 2014-15, for a total of $242 million. In 2011, the Legislature increased the total to $254 million.[15] In 2012, the program was extended through FY 2015-16 and an additional $42 million in credits were authorized, for a total of $296 million for the six-year period.[16] OFE reports that all of the credits have been certified (or allocated to certified productions), and as of September 30, 2014, $119m of the $296m have been awarded.

Qualified expenditures include production expenditures incurred by a qualified production in Florida for:

[9] s. 288.1251, F.S.
[10] s. 288.1252, F.S.
[11] s. 288.1254(2), F.S.
[12] s. 2, ch. 2003-81, L.O.F.
[13] s. 28, ch. 2010-147, L.O.F.
[14] s. 288.1254(6)(a), F.S.
[15] s. 26, ch. 2011-76. L.O.F.
[16] s. 15, ch. 2012-32. L.O.F.

- Goods purchased or leased from, or services provided by, a vendor or supplier in Florida that is registered with the Department of State (DOS) or the Department of Revenue (DOR) and is doing business in Florida. (This does not include re-billed goods or services provided by an in-state company from out-of-state vendors or suppliers.) Eligible production goods and services include:
    - Sound stages, back lots, production editing, digital effects, sound recordings, sets, and set construction;
    - Entertainment-related rental equipment, including cameras and grip or electrical equipment;
    - Newly purchased computer software and hardware, up to $300,000; and
    - Meals, travel, and accommodations.
- Salary, wages, or other compensation paid to Florida residents, up to a maximum of $400,000 per resident.

Types of productions eligible for tax credits are: motion pictures; commercials; music videos; industrial or educational films; infomercials; documentary films; television series, and digital media projects (interactive games, digital animation and visual effects). Initially, three percent of the authorized tax credits are reserved for music videos, and three percent are reserved for independent and emerging media.

Awards are limited to productions within 180 days of project start dates. Awards may not be granted after the production has begun, and are capped at $8 million per project.

2012 EDR Analysis

At the request of the Office of the Governor, the Florida Office of Economic and Demographic Research (EDR) performed an analysis of the Entertainment Industry Financial Incentive Program in 2012. EDR used two models to conduct the analysis: the REMI Tax-PI model and the Statewide Model . The results were similar. The ROI was **0.46** for the statewide model, and **0.40** for REMI.

The 2012 analysis differs from the current analysis in several important ways: the 2012 analysis was prospective, estimating the economic impact of five years of incentive distributions over a ten year period. The current analysis is retrospective, estimating the impact of three years of incentive distributions (Fiscal Years 2010-11 through 2012-13). Consequently, the estimates are likely to be different, as the analyses measure different outputs over different periods.

Film Induced Tourism

The analysis for this report does not include any economic benefit that could be derived by film-induced tourism. Film-induced tourism is defined as tourist visits to the destination featured on television, video, or cinema screen.[17] Generally, films are more likely to reach larger audiences than specifically targeted tourism promotion.[18] Examples include the exposure of New Zealand in the *Lord of the Rings* trilogy or the visitors to the Clearwater Aquarium after the release of *Dolphin Tale*. Tourists can be categorized as those who just happen to visit a destination portrayed in a film, those who participate in film tourism activities as a secondary activity not motivated by the film, or those who seek out the

[17] Hudson, Simon and J.R. Brent Ritchie, "Promoting Destinations via Film Tourism: An Empirical Identification of Supporting Marketing Initiatives," Journal of Travel Research, 44; 2006: 387.

[18] Croy, Glen W., "The Lord of the Rings, New Zealand and Tourism: Image Building with Film," Working Paper. Monash University, Business and Economics, March 2004: 7.

places they have seen in film.[19] To date, there are few thorough studies that quantify the impacts of film tourism.[20] However, several studies have pointed to the need for further research.

Because Florida is already a significant tourist destination, marketing exposure through the entertainment industry would have to rival the mass marketing efforts by governmental and private entities in order to produce quantifiable results. Tourism promotion in Florida comes from sources such as state and local governments, private companies, and Florida's theme parks. These entities spent an estimated $1.37 billion during Fiscal Years 2010-11 through 2012-13 to attract tourists to the state (See EDR's *Return on Investment for Visit Florida* – January 2015).

As part of that study, EDR surveyed the various local governments that levy the Tourist Development Tax authorized in s. 125.0104(3), F. S., or their respective Destination Marketing Organizations. Respondents were 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. Results from the survey indicated that Destination Marketing Organizations in the major tourist markets do not consider film to be a significant influence on tourists' decisions to choose Florida as their vacation destination. The highest ranked features that attracted tourists were beaches, theme parks and retail/dining/nightlife (71.6 percent of the responses).

Due to the substantial marketing efforts made by governmental and private sources and the responses of the local destination marketing organizations who did not believe filmed locations impacted tourists' decisions, EDR did not include any economic benefit from film-induced tourism. Furthermore, what peer-reviewed literature there is on film-induced tourism suggests that to the extent it does occur, a very specific set of circumstances must exist. Even then, the impacts are generally localized and of such a small size that they would not significantly impact the analysis below.

The Entertainment Industry Sales Tax Exemption Program

The Entertainment Industry Sales Tax Exemption Program is available to "any production company engaged in this state in the production of motion pictures, made-for-TV motion pictures, television series, commercial advertising, music videos, or sound recordings…"[21] This program offers sales and use tax exemptions on:

- The fabrication labor used in set design and construction for qualified motion pictures;[22]
- Motion picture or video equipment and sound recording equipment that is purchased or leased for use in this state for certain entertainment production activities; [23]

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[19] Macionis, Niki, "Understanding the Film-induced Tourist," In Frost, Warwick, Croy, Glen and Beeton, Sue (editors). International Tourism and Media Conference Proceedings. 24th-26th November 2004. Melbourne: Tourism Research Unit, Monash University, 2004: 95

[20] MNP LLP. *"*Economic and Social Impacts of the Florida Film and Entertainment Industry Financial Incentive Program," March 2013.

[21] Section 288.1258, F.S. This program was initially intended as "an incentive both to recruit film production businesses to bring their work to Florida and to retain such businesses in the state."

[22] Enacted in 1969, s. 212.06(1)(b), F.S.

[23] Enacted in 1983 as a refund, changed to an exemption in 1984, s. 212.08(5)(f), F.S. Property must be used exclusively as an integral part of the production activities in this state. The equipment must be depreciable with a useful life of at least 3 years. The exemption may also be extended to parts and accessories for qualified production equipment. Includes bull horns, cameras (and cables and connectors), software, dollies, lighting, sets, tents, video recorders, sound equipment, generators, wardrobes. Does not include make-up, meals, records, travel, vehicles, audio and video tapes, or film or location fees. http://dor.myflorida.com/dor/taxes/film_in_florida.html

- The sale of master tapes, records, films, or video tapes; [24] and
- The lease or rental of real property used as an integral part of the performance of qualified motion picture production services. [25]

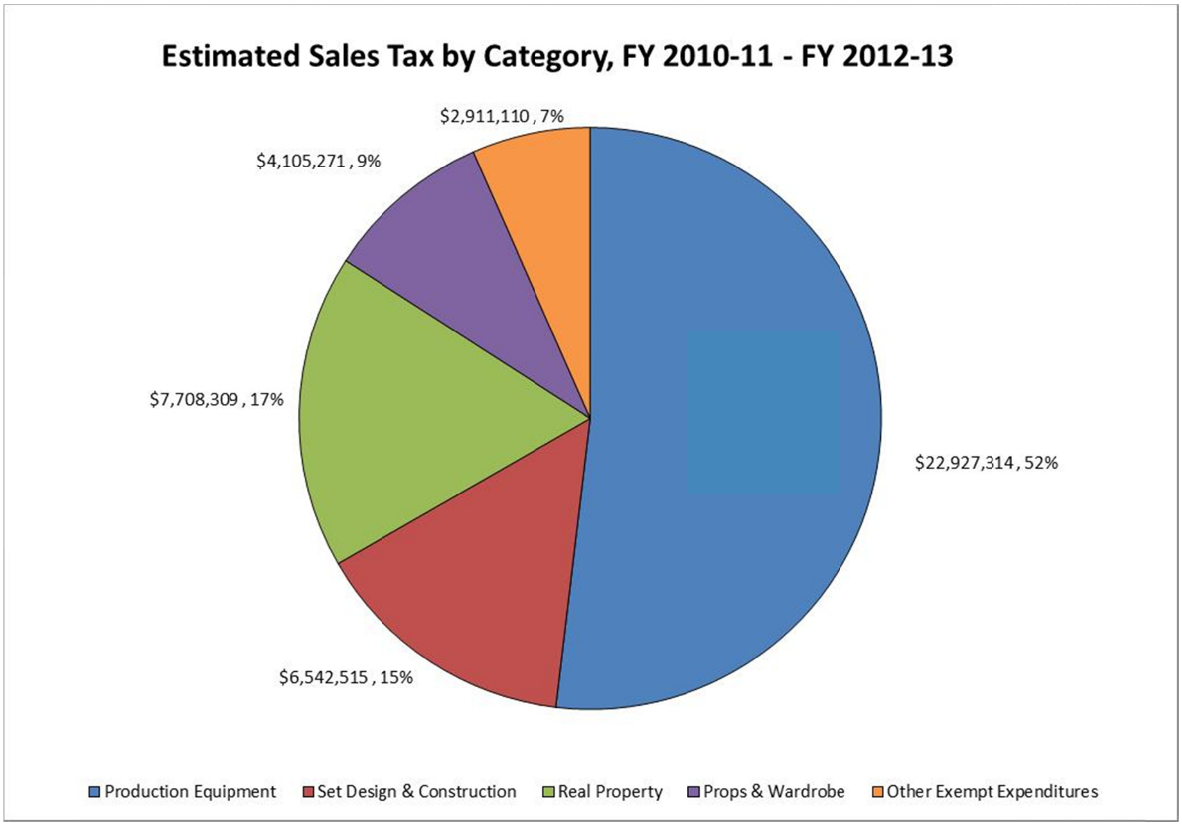
In 2000, the Legislature created a single application process to obtain a certificate of exemption from sales and use taxes. Qualified production companies may submit an application to DOR to be approved by the OFE. If the company has operated a business in Florida at a permanent address for at least 12 consecutive months, they may be eligible for designation as a qualified production company and be eligible for a 1-year certificate of exemption. Companies that do not qualify for the 1-year certificate, including out-of-state companies, may be may be eligible for a 90-day certificate of exemption.

Applications include an estimate of the planned purchases of exempt items. It is from these applications that OFE compiles an annual estimate of the value of the exemptions to qualified production companies, both in-state and out-of-state. Based on their applications, OFE has estimated that all qualified production companies received $44.5 million in exemptions between FY 2010-11 and 12-13.[26] Unlike, the FTC Program, production companies are not required to report the amount of purchases for which they received exemptions, after-the-fact.

[24] Enacted in 1984, s. 212.08(12), F.S. The sale or lease of master tapes or master records that are used by the recording industry in reproducing audio recordings are taxable only on the value of the blank tapes or records used as a medium to transfer the master tapes or records. Likewise, the sale or lease of master films and master video tapes that are used in reproducing visual images for showing on screens or television is taxable only on the value of the blank film or tape used as a medium to transfer the master films and tapes. The value of all the major cost components of making a master, such as artistic services, processing, and copyrights or royalties, is excluded from the taxable price of the sale or lease. This tax treatment is limited to sales or leases by a recording studio to the recording industry or by a motion picture or television studio to the motion picture or television production industry. http://dor.myflorida.com/dor/taxes/film_in_florida.html

[25] Enacted in 1987, s. 212.031(1)(a)9, F.S.

[26] Source: "Florida Office of Film and Entertainment, FY 2013/14 Annual Report," p. 9. There is no subsequent validation of purchases, whether more or less than the estimate submitted on the application.



The sales tax exemptions are also available to qualified production companies receiving tax credits through the FTC Program. Based on the qualified expenditures for that subset of companies, they may have received as much as $3.5 million in exemptions between FY 2010-11 and 2012-13. This number was based on the amount of exempt sales as a percentage of total production expenditures as reported on the applications. It was used in the model to prorate the output from those production companies that participated in both programs.

Sales Tax Exemption Data

This analysis provides a return on investment for the STE program from purchases made by qualified entertainment productions. However, there are limitations to the data that are not found in the tax credit incentives data. These limitations could greatly distort the results of the analysis, and the results should be reviewed with this in mind.

Sales tax exemptions are generally used to reduce the costs of household items or the transfer of goods between businesses. Exemptions are also provided for life necessities such as food and medicine, or to organizations that benefit the general public such as non-profits. Exemptions are also industry specific. Unlike tax credit incentives, the relevant exemptions are not contingent on any performance-based criteria such as job creation or capital investment.

Estimations of Expenditures

The STE data provided by the OFE is compiled from responses made by applicants for the exemption certificate. An exemption certificate is required to receive an exemption from sales tax on qualified purchases. These responses are estimates made by production companies of the expenditures they will make in the future.

The data provided by OFE for exemption expenditures is not audited or validated. The companies must simply reapply every year if they wish to continue receiving new certificates. This lack of information regarding the actual purchases could influence the validity of the results. Tax credit incentives data, which is audited, shows that between the initial estimate of expenditures and the audited expenditures, production companies overestimated their planned expenditures by 27 percent.[27]

But-For Assumptions

The ROI analysis should only include expenditure data from production companies that were induced to make purchases because of the exemption. Exemptions granted to companies that do not meet the but-for assumption represent a straight revenue loss to the state as those production companies would have made those purchases whether or not there was a sales tax exemption.

Given the program's design, this analysis assumes that the sales tax exemption program induces companies to locate activity in Florida and it attributes that activity to the existence of the exemption. However, that assumption would not hold true for long-term Florida companies. To account for companies that were already well established in Florida before the exemption program was enacted, only the expenditures from companies who indicated on their applications that they were established after 2000 were included.

Expenditures from companies that are reliant on Florida's markets or resources were excluded from the data as well.[28] These were expenditures from companies that are:

- Filming a commercial for a business or location in Florida (hospitals, theme parks, beaches), or
- Producing a live event in Florida such as sports or concerts.

The expenditure data not culled likely included some businesses that were dependent on Florida markets or resources, but an attempt was made to only capture expenditures from companies that appeared to be mobile and had the option of locating these productions in other states rather than Florida.

[27] Data provided by OFE.

[28] If a business' customers or clients are primarily based in Florida or the business is dependent on Florida resources to produce its products or services, the business is considered "market or resource dependent." Any new activity induced by incentives displaces existing employment, economic activity in or revenues to the state, as the demand for such products or services is driven by the in-state market. There is no net economic expansion, as existing businesses would likely shed jobs as their market share decreases. In contrast, a business is not considered market or resource dependant if it is likely that it exports a majority of its goods and services out of the state.

DESCRIPTION OF THE DATA

The law requires EDR and OPPAGA to analyze and evaluate the entertainment industry financial incentive (tax credit, or FTC) and sales tax exemption (STE) programs' performance over the previous three years.[29] This report includes Fiscal Years 2010-11, 2011-12 and 2012-13.

The Office of Film and Entertainment (OFE), Department of Economic Opportunity and the Department of Revenue were the primary sources of information for the review. These agencies were instructed to provide EDR with information for each project or business which received state dollars (whether an exemption or credit) during the three-year review period. Collectively, these projects comprise the universe. For the purpose of this analysis, the term "award" refers to the final authorization for the tax incentive, regardless of whether it has been taken.

When available, submitted information included the amount and timing of incentive(s) distributed to the business; the amount and timing of direct capital expenditures for the project; and the number of direct jobs and associated average wages. Only data related to the three-year review period was considered in the evaluation.

For the FTC program, OFE provided the following information:

- The number of productions awarded tax credits from FY 2010-11 through FY 2012-13.
- Total positions created by productions that completed their audit reviews and were awarded tax credits within the window of the analysis. Many of these positions were not full-time.
- Wages paid to Florida residents by certified productions that have completed their audit reviews and were awarded tax credits within the window of the analysis.
- Qualified expenditures for the productions that have completed their audit reviews and were awarded tax credits within the window of the analysis.
- The amount of tax credits that were awarded to productions that have completed their audit reviews within the window of the analysis. These may or may not reflect tax credits used on a tax return during the time period. All of the tax credits taken on a return during this time period were from companies who received the credit through a transfer.

[29] Section 288.0001, F.S., as created by s. 1, ch. 2013-39, Laws of Florida and s. 1, ch. 2013-42, Laws of Florida.

FILM TAX CREDIT PROGRAM DATA

	Digital Media & Video Game	Motion Picture, TV, Commercial	Total
Eligible Wages			
FY 2010-2011	$ -	$ 21,699,723	$ 21,699,723
FY 2011-2012	$ 31,829,912	$ 23,041,761	$ 54,871,673
FY 2012-2013	$ 34,850,384	$ 67,826,730	$ 102,677,114
Grand Total	$ 66,680,296	$ 112,568,214	$ 179,248,510
Non-Wage Qualified Expenditures			
FY 2010-2011	$ -	$ 18,385,377	$ 18,385,377
FY 2011-2012	$ 6,313,755	$ 17,557,477	$ 23,871,232
FY 2012-2013	$ 6,762,468	$ 56,165,208	$ 62,927,676
Grand Total	$ 13,076,223	$ 92,108,062	$ 105,184,285
Total Qualified Expenditures			
FY 2010-2011	$ -	$ 40,085,100	$ 40,085,100
FY 2011-2012	$ 38,143,667	$ 40,599,238	$ 78,742,905
FY 2012-2013	$ 41,612,852	$ 123,991,938	$ 165,604,790
Grand Total	$ 79,756,519	$ 204,676,276	$ 284,432,795
Tax Credits Awarded			
FY 2010-2011	$ -	$ 10,823,293	$ 10,823,293
FY 2011-2012	$ 9,463,531	$ 8,608,935	$ 18,072,466
FY 2012-2013	$ 10,304,371	$ 28,081,939	$ 38,386,310
Grand Total	$ 19,767,902	$ 47,514,167	$ 67,282,069
Transferred Sales Tax Credits Used			
FY 2010-2011	$ -	$ -	$ -
FY 2011-2012	$ 9,463,531	$ 4,367,593	$ 13,831,124
FY 2012-2013	$ 10,184,821	$ 19,308,219	$ 29,493,040
Grand Total	$ 19,648,352	$ 23,675,812	$ 43,324,164
	Sales Tax	**Corporate Income Tax**	**Total**
Tax Credits Transferred			
FY 2010-2011	$ -	$ -	$ -
FY 2011-2012	$ 15,047,944	$ 4,698,027	$ 19,745,971
FY 2012-2013	$ 29,894,028	$ 11,266,971	$ 41,160,999
Grand Total	$ 44,941,972	$ 15,964,998	$ 60,906,970
Transferred Tax Credits Used			
FY 2010-2011	$ -	$ -	$ -
FY 2011-2012	$ 13,831,124	$ -	$ 13,831,124
FY 2012-2013	$ 29,493,040	$ -	$ 29,493,040
Grand Total	$ 43,324,164	$ -	$ 43,324,164

For the STE program, DEO provided the data submitted by production companies that had received sales tax exemption certificates. This data reflects the estimates made by the production company before receiving their tax certificates.

The following applicants were approved during the window of the analysis:

- FY 10/11 – 871 applicants
- FY 11/12 – 815 applicants

- FY12/13 – 857 applicants

During Fiscal Year 2012-13, thirty-nine productions were awarded FTC incentives. Of the 39, 8 did not receive exemption certificates (7 were not eligible - digital media). Sixteen productions were eligible for twelve-month certificates and were able to use their certificate for expenditures that were unrelated to the projects receiving FTC incentives.

While not included in the analysis, sixty-six productions were awarded FTC incentives in Fiscal Year 2013-14. Of the 66, 9 did not receive exemption certificates (5 were not eligible - digital media). Twenty-eight productions were eligible for twelve-month certificates and were able to use their certificates for expenditures that were not limited to projects receiving the FTC incentives.

SALES TAX EXEMPTION PROGRAM DATA

	Total Wages	Total Non-Exempt Expenditures	Total Exempt Expenditures	Total Expenditures	Estimated Output	Estimated Exempt Sales Taxes
FY 10-11	596,324,573	163,694,155	265,102,506	1,025,121,235	1,195,003,632	15,906,156
FY 11-12	610,195,707	219,139,966	224,605,814	1,053,941,487	1,218,574,200	13,476,357
FY 12-13	692,133,228	130,399,070	246,866,989	1,069,399,288	1,232,880,806	14,812,023
	1,898,653,508	**513,233,192**	**736,575,309**	**3,148,462,009**	**3,646,458,638**	**44,194,536**

METHODOLOGY

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.[30] Among other things, it captures the indirect and induced economic activity resulting from the direct project effects. This is accomplished by using large amounts of data specific to the Florida economy and fiscal structure. Mathematical equations[31] 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.[32] The model also has the ability to estimate the impact of economic changes on state revenue collections and state expenditures in order to maintain a balanced budget by fiscal year.

When using the Statewide Model to evaluate economic programs, the model is "shocked"[33] using static analysis to develop the initial or direct effects attributable to the projects funded by the incentives. In this analysis, direct effects are essentially the changes experienced by the businesses receiving the incentives and the transfer of state dollars. For both programs, the combined annual direct effects ("shocks") took the form of:

- Removal of the incentive payments from the state budget, with a corresponding award to businesses as subsidies to production or a reduction in the after-tax price of a commodity.
- Increased output based on expenditures and payroll.[34]

The model was then used to estimate the additional—indirect and induced—economic effects generated by the projects, as well as the supply-side responses to the new activity, where the supply-side responses are changes in investment and labor supply arising from the new 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:

[30] The statewide economic model was developed using GEMPACK software with the assistance of the Centre of Policy Studies (CoPS) at Victoria University (Melbourne, Australia).
[31] These equations represent the behavioral responses to economic stimuli.
[32] The business reactions simulate the supply-side responses to the new activity (e.g., changes in investment and labor supply).
[33] In economics, a shock typically refers to an unexpected or unpredictable event that affects the economy, either positive or negative. However, as used above, 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 introduction of incentives into the economy.
[34] The increased output was calculated by taking the output-to-expenses ratio and multiplying by total expenses. This ratio was calculated from industry statistics as reported by IBISWorld. In the case of the Sales Tax Exemption program, the expenses were taken from the applications supplied by the businesses receiving the certificates. The reported expenses included both exempt and nonexempt expenditures (including wages). In the case of the Entertainment Industry Financial Incentive program, only certified "qualified expenditures" were reported. An adjustment was made to include nonqualified expenses, assumed to be primarily commodities and services purchased from out-of-state. This adjusted expenditure estimate was then multiplied by the output-to-expenditures ratio.

- State government revenues and expenditures
- Jobs
- 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 state product, all of which are included in the model results.

KEY ASSUMPTIONS

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 that state incentives were the determining factor in business location decisions, since the program was created and designed to attract new business activity to the state. The analysis further assumes that for bundled projects,[35] the total value of the incentive package was the deciding factor for the business, not the individual components of the package.

2. The analysis assumes all data provided by DEO, DOR, and other state entities related to projects and tax incentives was complete and accurate. The data was not independently audited or verified by EDR; however, data discrepancies between agencies were addressed.

3. The analysis assumes businesses received the full value of the state incentives, whether or not those who transferred the credits did so at a discount, and that related costs due to federal taxes or consultant fees are immaterial to the decision making process.

4. The analysis assumes that given the time span under review, applying discount rates would not prove material to the outcome.

5. The analysis assumes that any expenditure made for incentives 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.

6. The analysis assumes the relevant geographic region is the whole state, not individual counties or regions. The Statewide Model does not recognize that any economic benefit arises from intrastate relocation. However, 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.

7. The analysis assumes that businesses treated the incentives as subsidies. The subsidies lowered the cost of production for each individual firm.

8. The analysis assumes distribution of capital purchases by each business was the same as the industry in which it operates. This assumption was made because data was not available regarding the specific capital purchases associated with each project. It is also assumed that the businesses within a program were not large enough to affect the rate of return on capital within the industries in which the businesses operated.

9. The analysis assumes that the output from projects did not displace the market for goods and services of existing Florida businesses. To do this, output associated with the businesses was

[35] The only bundling that was assumed to take place was the combination of the Sales Tax Exemption and Film Tax Credit programs. No information was available as to the possible local incentives offered in conjunction with any state incentives.

assumed to be exported to the rest of the world. The rest of the world is defined as other states or the international market.

PROGRAM FINDINGS

In the pages that follow, each incentive program is preceded by diagnostic tables describing the composition and statistics of the projects under review by scenario. Key terms used in the tables are described below:

State Payments Used in Analysis – Represents the amount of state payments made to the program 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 2009 $(M)) – Total after-tax income received by persons; it is the income available to persons for spending or saving.

Real Gross Domestic Product (Fixed 2009 $(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 2009 $(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 2009 $(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, includes survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

Analysis and Findings

For this analysis, the Office of Film and Entertainment (OFE) provided information for the estimated qualified expenditures for productions participating in the FTC program by type of project. In addition information was provided on tax incentives awarded, transferred and used by these projects.

While the qualified production expenditures represent a significant portion of the total value of the commodity produced by these projects, they do not account for the nonqualified expenditures, particularly return-to-capital and out-of-state purchases. To better estimate the value of output produced by these projects, information from IBISWorld,[36] an industry-based research provider, was used to estimate total value of output from known expenditures. Additionally, an estimate of out-of-state nonqualified expenditures was produced based on an analysis of the underlying CGE base data on the relationship between in-state and out-of-state purchases of intermediate inputs.

OFE provided information on projects receiving awards during the three-year window of the analysis. They provided information on qualified expenditures, including a breakout of wages. Projects make additional expenditures which do not count towards the calculation of the award. To better reflect total spending, an estimate of additional "non-qualified" expenditures was made. It was assumed that most of this spending would take the form of purchases from outside the state. The base data of the state's dynamic economic model show that between 18-31% of purchased inputs come from outside the state for the industries under analysis. A figure of 25% was used to estimate non-qualified expenditures—a mid-range figure.[37] A further adjustment was made to the expenditures to include a measure of return-to-capital. This acts to transform the estimated expenditures to a market value of output (revenues) versus costs of production. This is a necessary transformation to correctly run the scenarios with the state's dynamic economic model. This final adjustment was based on information taken from the IBISWorld report referenced above.

It was further assumed that all activity associated with the film tax credit incentive program was new to the state. That is, it would not have occurred absent the incentives. In some instances, this most likely is an erroneous assumption. There may have been some projects that were market or resource dependent; that is, the production was for Florida markets or was dependent on filming in a Florida-specific location. To the extent that some activity would have taken place whether or not the incentives were available, or that the activity displaces local non-incentivized activity, the following analysis will overstate the benefits to Florida.

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[36] IBISWorld – Industry Market Research, accessed 11/25/14.

[37] There is an incentive to purchase inputs that may typically come from out-of-state from local suppliers since the item would be more likely to be included in qualified expenditures for purposes of calculating the award.

FTC SCENARIO 1 – TAX CREDITS AWARDED AND USED

Statewide Economic Model Impact Projections of the Florida Film & Entertainment Industry Financial Incentive Program (Credits Used)

		FY2010 - 2011	FY2011 - 2012	FY2012 - 2013	Total		Average per Year
Personal Income	Nominal $ (M)	103.6	224.5	262.2	**590.3**		**196.8**
Real Disposable Personal Income	Fixed 2009 $ (M)	87.2	185.4	213.5	**486.0**		**162.0**
Real Gross Domestic Product	Fixed 2009 $ (M)	89.5	189.2	216.8	**495.5**		**165.2**
Consumption by Households and Government	Fixed 2009 $ (M)	63.2	128.0	146.5	**337.7**		**112.6**
Real Output	Fixed 2009 $ (M)	172.9	366.0	414.1	**952.9**		**317.6**
		FY2010 - 2011	**FY2011 - 2012**	**FY2012 - 2013**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	564	1,056	1,016	***564***	1,056	**878**
Population	Persons	80	368	944	***80***	944	**464**

Category	Units	FY2010 - 2011	FY2011 - 2012	FY2012 - 2013	Total		Average per Year
TOTAL NET STATE REVENUES	**Nominal $ (M)**	**3.2**	**7.1**	**8.3**	***18.6***		**6.2**
STATE INCENTIVES	**Nominal $ (M)**	**0.0**	**13.8**	**29.5**	***43.3***		**14.4**

RETURN ON INVESTMENT 0.43

Under both FTC scenarios, there was a total of $284.4 million in qualified expenditures during the three fiscal years of the analysis. It is estimated that there was an additional $35.1 million in non-qualified expenditures. Of the total expenditures of $319.5 million, it is estimated that there was $55.1 million in taxable expenditures that were exempt from sales taxes under the STE program. Total expenditures are estimated to result in an increase in state output in the digital media, video game, motion picture and sound industries of $364.0 million dollars. Due to "bundling" the programs—FTC and STE programs—not all of this increased output can be assumed to have occurred solely because of the FTC credits. Under the assumption that a dollar saved in sales taxes on exempt purchases has the same inducement as a dollar received in tax credits, $17.8 million of the estimated output was allocated to the STE program.

The state's incentives during the three-year window are broken down into credits awarded based on "qualified" expenditures that have been awarded by OFE and credits actually used. There were $67.3 million in credits awarded within the window. Of these most were transferred—that is, sold—to a second party. There were $60.9 million in credits, or 90.5% of those awarded, that were transferred. Of those transferred, $44.9 million, or 73.7%, were sales tax credits and $16.0 million, or 26.3%, were corporate tax credits.[38] No credits were used within the window by the original recipient, and none of the corporate tax credits transferred were actually used within the period of analysis.

FTC scenario 1 assumes the cost of the program is measured by the tax credits used during the three year window. This scenario reflects the lag between the time a credit is awarded to the time when the

[38] The credits are usually transferred (sold) at a discount. According to anecdotal information provided by OFE, who are not party to the transfer, the credits are sold for anywhere from 85 to 98 cents on the dollar. Florida statute allows for the state to purchase back the credits for 90 cents on the dollar; however, the repurchase is subject to the Legislature first appropriating funds for such a purpose, which, to date, it has not done.

credit is actually used against a tax obligation. While the tax credit program began at the start of Fiscal Year 2010-11, credits were not used until Fiscal Year 2011-12

FTC Scenario 1 resulted in an ROI of 0.43. While the ROI is positive, the program only returns forty-three cents in tax revenues for every dollar of tax credits used.

However, the program does have broader economic benefits to the state as a whole. Personal income (in nominal dollars) is on average $196.8 million per year higher during the period, and real GDP within the state is $165.2 million (in 2009 dollars) higher per year. In addition, there are an average of 878 more jobs each year during the analysis period. Most of these are filled by current residents, but some are filled by new residents attracted to the state by the increased economic activity—Florida resident population is on average 464 persons higher per year than it would be in the absence of the program.

FTC SCENARIO 2 – TAX CREDITS AWARDED

Statewide Economic Model Impact Projections of the Florida Film & Entertainment Industry Financial Incentive Program (Credits Awarded)

		FY2010 - 2011	FY2011 - 2012	FY2012 - 2013	Total		Average per Year
Personal Income	Nominal $ (M)	84.0	202.6	244.0	**530.6**		**176.9**
Real Disposable Personal Income	Fixed 2009 $ (M)	71.3	168.0	199.2	**438.5**		**146.2**
Real Gross Domestic Product	Fixed 2009 $ (M)	70.3	168.6	200.4	**439.3**		**146.4**
Consumption by Households and Government	Fixed 2009 $ (M)	39.6	102.3	126.3	**268.1**		**89.4**
Real Output	Fixed 2009 $ (M)	143.1	334.7	389.7	**867.5**		**289.2**
		FY2010 - 2011	**FY2011 - 2012**	**FY2012 - 2013**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	411	916	926	***411***	926	**751**
Population	Persons	44	248	744	***44***	744	**345**

Category	Units	FY2010 - 2011	FY2011 - 2012	FY2012 - 2013	Total		Average per Year
TOTAL NET STATE REVENUES	**Nominal $ (M)**	**2.8**	**6.5**	**7.8**	***17.1***		**5.7**
STATE INCENTIVES	**Nominal $ (M)**	**10.8**	**18.1**	**38.4**	***67.3***		**22.4**

RETURN ON INVESTMENT 0.25

FTC scenario 2 assumes the cost of the program is measured by the tax credits awarded during the three-year window, and includes the full costs of these credits to the state, whether or not they were used during the period. Essentially, it is assumed that the awarded credits are used at the time they are awarded. This scenario may provide a more accurate picture of the ROI for a mature program than FTC scenario 1, which incorporates the lag time from the commencement of the program to when the tax credits were actually used. FTC scenario 2 resulted in an ROI of 0.25. While positive, the program only returns twenty-five cents in tax revenues for every dollar of tax credits awarded.

As with FTC scenario 1, the program does have broader economic benefits to the state as a whole. Personal income (in nominal dollars) is on average $176.9 million per year higher during the period, and real GDP within the state is $146.4 million (in 2009 dollars) higher per year. In addition, there are an average of 751 more jobs each year during the analysis period. Most of these are filled by current residents, but some are filled by new residents attracted to the state by the increased economic activity—Florida resident population is on average 345 persons higher per year than it would be in the absence of the program.

Sales Tax Exemption (STE) Program Scenario

Statewide Economic Model Impact Projections of the Florida Film & Entertainment Industry Sales Tax Exemption Program

		FY2010 - 2011	FY2011 - 2012	FY2012 - 2013	Total		Average per Year
Personal Income	Nominal $ (M)	583.4	783.2	601.5	**1,968.1**		**656.0**
Real Disposable Personal Income	Fixed 2009 $ (M)	489.5	646.8	487.7	**1,624.0**		**541.3**
Real Gross Domestic Product	Fixed 2009 $ (M)	515.0	672.2	492.0	**1,679.2**		**559.7**
Consumption by Households and Government	Fixed 2009 $ (M)	376.9	505.9	383.3	**1,266.2**		**422.1**
Real Output	Fixed 2009 $ (M)	960.3	1,229.4	878.0	**3,067.7**		**1,022.6**
		FY2010 - 2011	**FY2011 - 2012**	**FY2012 - 2013**	**Minimum**	**Maximum**	**Average per Year**
Total Employment	Jobs	3,601	4,056	2,112	***2,112***	4,056	**3,256**
Population	Persons	352	1,952	3,952	***352***	3,952	**2,085**
Category	**Units**	**FY2010 - 2011**	**FY2011 - 2012**	**FY2012 - 2013**	**Total**		**Average per Year**
TOTAL NET STATE REVENUES	**Nominal $ (M)**	**8.5**	**9.4**	**6.0**	***24.0***		**8.0**
STATE INCENTIVES	**Nominal $ (M)**	**15.9**	**13.5**	**14.8**	***44.2***		**14.7**

RETURN ON INVESTMENT 0.54

While the STE program had an estimated $736.6 million in tax-exempt spending at a cost of $44.2 million in foregone sales tax revenue and an estimated $3.15 billion in total expenditures and a corresponding $3.65 billion in output, this translates into just $1.02 billion in new activity per year.

Approximately $2.37 billion in output would have occurred even without the tax exemptions. Most of this is the estimated output of firms that had a Florida presence before 2000, and much of the rest of the estimated output would have occurred anyway—it did not meet the “but for” assumption because of market dependency. Another $254 million of estimated output was allocated to the Film Tax Incentive program due to “bundling” with the FTC tax incentives.

While the output of businesses receiving sales tax exemption certificates is not directly addressed by the analysis, the impact of the reduced cost of inputs is included. That is, the fact that the gross price of the inputs purchased by the businesses is lower because of the exempt nature of the purchases does have a positive effect on the cost of production, and this is accounted for in the scenario.

The STE program had an estimated ROI of 0.54. That is, for every dollar of foregone sales tax collections the program returned fifty-four cents in other state revenue collections.

Similar to the FTC program, this program also has broader economic benefits to the state as a whole. Personal income (in nominal dollars) is on average $656.0 million per year higher during the period, and real GDP within the state is $559.7 million (in 2009 dollars) higher per year. In addition, there are an average of 3,256 more jobs each year during the analysis period. Most of these are filled by current residents, but some are filled by new residents attracted to the state by the increased economic activity—Florida resident population is on average 2,085 persons higher per year than it would be in the absence of the program.

Conclusion
The analysis shows that both the FTC and the STE programs have positive ROIs, although neither generates sufficient tax revenues to offset the cost of the programs.[39] In addition, both programs contributed to the broader economic health of the Florida economy, producing additional income, state gross domestic product (GDP) and jobs. However, caution should be used in interpreting these results.

The results are sensitive to the underlying assumptions—particularly the assumption that much of this activity is new to the state. While an effort was made to exclude activity in the STE program that clearly did not meet the “but for” assumption, all activity under the FTC program was assumed to be new to the state. Additional scenarios were run to test the sensitivity of the ROIs to the “but for” assumption. In the case of the FTC scenario where the ROI is measured against credits awarded: if 25% of the activity was assumed not to meet the “but for” assumption, the ROI dropped from 0.25 to 0.17. In the STE scenario: if the new activity was reduced by 40%, the ROI turned negative—the exemption actually cost more than the static amount of foregone sales tax collections.

There are also issues that potentially produce downward pressure on the two programs’ ROIs. First, neither program requires capital investments be reported except to the extent that they meet the requirement for being “qualified expenditures.” Capital investments may be captured if they are qualified expenditures in the FTC program or if they are within an exempt expenditure category in the STE program. As reported in last year’s incentives program report, required capital expenditures are a way to enhance the ROI of a program. If there were capital investments which were not reported by the applicants of either program, including that information in the analyses would have positively affected the programs’ ROIs.

Another issue that affects the program’s efficiency, if not the ROI, is the transferability of credits in the FTC program. While transferability of credits is designed to produce ready cash for applicants, the recipient projects do not receive the full benefit of the award when the credits are sold at a discount. As indicated earlier, most awards are transferred (sold) to a second party. Additionally, transferability of credits may introduce economic inefficiencies to the extent that the reduced cost may cause the purchasing entity to engage in some production activity the state has no interest in encouraging. Also, to the extent that the transfer of credits takes place at a discount, the FTC program could be funded under a grant program at the discounted value of the credits and maintain the same level of activity. This analysis does not assume that any discounting is taking place, which overstates the true cost of the program relative to a pure grant program and, thereby, understates the maximum ROI for the same level of activity due to the increased economic efficiency of a grant program.

[39] Two additional scenarios were run to test whether there existed a difference between the ROIs for “digital media and video games” and “film and sound.” Both scenarios had similar levels of output per dollar of credits awarded: $4.67 and $5.72, respectively. This resulted in both scenarios producing similar ROIs: 0.248 for “digital media and video games;” and 0.255 for “film and sound.” It may be important to note that digital media is ineligible for the STE program, which positively affects their ROI.

APPENDIX

Literature Review Regarding the Impact of State Film And Related Entertainment Incentive Programs

INTRODUCTION

Historically, California and New York have been the centers of American film, television and related entertainment productions. These cities provided ready access to the necessary industry infrastructure,[40] talent, studio and many outdoor filming locations. For "economic runaways," the costs of labor intensive, large-scale productions were a significant factor in choosing other locations. For "creative runaways," the context of the film required "productions staged abroad for the purpose of location authenticity…"[41]

In the 1970s and 80s, Yale (2012, 155) observes that "several U.S. states not traditionally associated with film production began to aggressively market themselves to Hollywood producers as amenable production locations." While most of the post-production work remained in California, the combination of access to non-union labor and eager accommodation by locals proved to make other states viable filming locations.

In the 1990s, a combination of factors contributed to the increased exodus of filming and post-production work from California and New York. First, other countries began to court American productions with economic incentives and access to production and post-production staff and facilities. Canadian sites provided production companies with lower labor costs and a favorable currency exchange rate. In addition, Canada and its provinces offered federal and regional tax incentives.

Taking a cue from Canada, other states followed suit. Louisiana began to offer a lucrative film production subsidy[42] in 2002, and Pennsylvania, New York and New Mexico followed in 2004. Most of the other states, the District of Columbia and Puerto Rico, followed thereafter. The Tax Foundation reports that total state incentives increased from $2 million in 2003 to $68 million in 2004, and to $1.3

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[40] See Christopherson and Rightor (2010, 345-346) for a description of film industry infrastructure, the "critical components that sustain" the industry.

[41] Yale (2012, 35) For a broad, critical examination of the history of runaway productions, see Camille Yale's dissertation: "Runaway Film Production: A Critical History of Hollywood's Outsourcing Discourse." Dissertation, University of Illinois at Urbana-Champaign, 2010. Ideals.illinois. University of Illinois at Urbana-Champaign. Web. 30 Oct. 2012. https://www.ideals.illinois.edu/bitstream/handle/2142/18481/Yale_Camille.pdf?sequence=1
Adrian McDonald, now the lead researcher for FilmL.A., which is Los Angeles' regional film office, has published two articles in peer-reviewed journals on the issue of runaway productions. See McDonald, Adrian "Through the Looking Glass: Runaway Productions and "Hollywood Economics," 9 U. of Pennsylvania Journal on Labor and Employment Law (2007: 879-949). https://www.law.upenn.edu/journals/jbl/articles/volume9/issue4/McDonald9U.Pa.J.Lab.&Emp.L.879(2007).pdf
McDonald, Adrian, "Down the Rabbit Hole: The Madness of State Film Incentives As a "Solution" To Runaway Production" U. Of Pennsylvania Journal Of Business Law [Vol. 14:1, 2011], 85-165. https://www.law.upenn.edu/live/files/156-mcdonald14upajbusl852011pdf

[42] The terms subsidy and incentive are used interchangeably in this review. Incentives are public subsidies intended to induce an economic activity or capital investment by a private business in a jurisdiction in which such activity or investment would not otherwise take place. Generally, economic development subsidies are an investment of public resources (whether budgeted or from foregone revenue) with an anticipated return on investment to the public treasury, as well as an indirect benefit to the general public. While subsidies still constitute a transfer of wealth from the class of general taxpayers to individual businesses, such transfers are intended to expand the state's economic infrastructure and wealth-creation capacity.

billion in 2011.[43] A recent report by the Office of Policy Analysis, Maryland Department of Legislative Services (MD OPA 2014, 1) finds that:

> "…the costs of film incentives to states has risen dramatically as a result of both the increase in the number of states offering incentives and increases in the generosity of programs as state try to remain competitive with each other."

Similarly, Kathy Cobb (2006, 1), writing for The Federal Reserve Bank of Minneapolis, observes:

> "… so-called runaway production has since set off a chain reaction competition among U.S. states, with each giving the economic red-carpet treatment to the film industry with the goal of creating good-paying jobs, increased local consumption and some free wide-screen publicity about the landscape or urban milieu that might encourage more tourism."

Now, film production has transformed from "an exclusive and centralized base to a global network of production sites."[44]

As the costs of these state incentive programs have escalated, their cost-effectiveness has been questioned. Subsidy proponents[45] assert that state film incentives spur economic activity with substantial benefits to the state and area economies. Their economic impact studies[46] typically have several themes in common. First, subsidies are a cost-effective strategy to create jobs in a clean, high-wage industry and to develop film and related entertainment industries in the state. Second, local productions encourage related tourism activity and promote civic pride, and through association make areas more attractive places to live and work. Third, incentive program costs are recovered from increased tax revenue from the direct, indirect and induced economic activity related to film productions, as well as related film-induced tourism. And finally, the return on investment (ROI)[47] to the state more than offsets program costs.

Independent analysts[48] challenged these assertions. In his review of economic impact studies, David Zin, Chief Economist for the Michigan Senate Fiscal Agency (2010, 26), observes that:

> "Regardless of the entity performing the analysis, studies affiliated with or commissioned by the film industry or state film offices generally have produced more favorable evaluations of the incentive programs than have studies affiliated with other executive branch agencies, legislative agencies, or relatively independent analysts."

Cornell University professor Susan Christopherson and Ned Rightor (2010, 344) agree, and find that:

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[43] Henchman (2011, 4)

[44] Robyn and David (2012, 4) quoting Greg Elmer and Mike Gasher, "Introduction: Catching Up to Runaway Productions," in *Contracting Out Hollywood*, Greg Elmer and Mike Gasher, eds. (Lanham, MD: Rowman & Littlefield, 2005).

[45] For this review, subsidy proponents include those affiliated with the film industry and those representing state and local film offices, whose responsibilities include promotion and support of the industry in their respective jurisdictions.

[46] The most cited economic impact studies reflecting this view have been produced by Ernst & Young, HR&A Advisors, Inc., and MNP, LLP (Meyers Norris & Penny. LLP).

[47] ROI is the measure of tangible financial gains or losses to state (or other government) revenues. It is calculated by summing state revenues generated by a program less state expenditure invested in the program, and dividing that calculation by the state's investment.

[48] For this review, independent analysts include academics and researchers working independent of subsidy proponents, to include state officials (agency legislative analysts or economists) and economists commissioned by independent analysts.

> "Studies done by State officials, including legislative analysts and departments of revenue, all indicate a poor return on investment. In response to these fiscal analyses, industry supporters have paid for and promoted counter-studies that justify tax subsidies on the basis that broader impacts benefitting the state economy are stimulated by the subsidies… Differences in focus, in the assumptions underlying the analysis, in the data used, and in the time periods analyzed, combine to produce studies that reach very different conclusions."

In testimony before committees of the California State Assembly in 2012, Mark Robyn, Staff Economist with the Tax Foundation, stated that:

> "There are many studies and statistics that claim to show that film tax credits provide an economic benefit for states. But unfortunately, the economic effects of film tax credits are often overstated and many costs are left out of the equation all together."[49]

The purpose of this review is to:

- Provide an overview of state film and related entertainment incentive programs;
- Review independent research which identifies some of the more common deficiencies in economic analyses, as well as state program features that hurt the ROI; and
- List the independent research showing that film subsidies fail to generate a return on investment sufficient to cover the cost.

OVERVIEW OF STATE INCENTIVE PROGRAMS

As of March 2014, the National Conference of State Legislatures notes that thirty-nine states and Puerto Rico offer some type of film incentive. Additionally:

> "…several states including Arizona, Idaho, Indiana, Iowa, Kansas, Missouri and Wisconsin have ended their incentive programs, or have not included funding for the programs in upcoming budgets. Connecticut suspended its incentives for film production, but maintains tax credits for other types of media. Other states have pared back their incentives packages, reducing the overall rebate or credit a production can claim. At the same time, some states, such as Hawaii, have increased their allocations for film incentive programs, increasing the credit or rebate amount production companies can receive."[50]

In August 2014, North Carolina replaced its tax credit program with a grant program with significantly reduced funding. More recently New York extended its $420 million annual allocation of tax credits through 2019[51] while Michigan and New Mexico have recently scaled back their incentives.

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[49] Mark Robyn, Staff Economist, Tax Foundation, Joint Oversight Hearing: the Committee on Revenue and Taxation and the Committee on Arts, Entertainment, Sports, Tourism, and Internet Media, March 21, 2011L.

[50] As of March 28, 2014. http://www.ncsl.org/research/fiscal-policy/state-film-production-incentives-and-programs.aspx Nebraska and Vermont only offer sales tax exemptions, and North Dakota has a general income tax exemption for which film productions may qualify. This website also includes links to each state incentive program, from which this general overview was compiled.

[51] http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-fi-film-tax-credits-20140831-story.html#page=1 http://www.nyc.gov/html/film/html/production_resources/tax_credit_info.shtml

Also, in August 2014, California made major program changes, to include increasing annual program funding from $100 million to $330 million and expanding access to big-budget feature films.[52]

Most state film incentive programs provide reimbursement in the form of grants[53] or tax credits[54] for qualified production or capital expenditures. Some states offer tax exemptions[55] on qualified production or capital expenditures; workforce training subsidies; and production loans. Local governments may also offer services or financial incentives, often in combination with state incentives. State and local film offices market these services, incentives and filming locations, and provide other types of assistance to encourage production companies to select their respective jurisdictions.

Of the thirty-nine states and Puerto Rico, 20 offer grants, 23 offer tax credits (12 states allow the credits to be monetized by selling then to entities with tax obligations, and 9 states will buy-back the credits if the production company has insufficient tax obligations); and 22 states offer tax exemptions on production-related expenditures. Some states offer the full range of these incentives.[56]

While many programs were initially enacted for motion pictures, states incentives are now available for a variety of related entertainment productions: television programs, documentaries, commercials, music videos, and digital media (video games). Some states target, or limit a percentage of total program awards, to specific types of productions. Some tax credit programs have statutory caps. Grant programs are typically limited by annual appropriation.

Qualified expenditures for reimbursement or exemption range considerably from state to state. Many programs limit reimbursement to in-state purchases of goods or services from state-registered companies. In some states, capital investments in building or equipment are qualified expenditures. Many states offer higher reimbursement rates for hiring of state residents.

Finally, the magnitude of these financial incentives varies considerably from state to state, and fluctuates in response to evolving state goals.[57] Most states offer some type of base rate, with increases for using resident labor. Alaska currently offers the highest reimbursement rate, up to 58 percent of qualified expenditures. Illinois trails at up to 45 percent, the District of Columbia follows at 42 percent and Puerto Rico at up to 40 percent. Six states offer up to 35 percent: Alabama, Louisiana, Mississippi, New York, Ohio and Washington. Connecticut and Florida offer up to 30 percent reimbursement.

SUMMARY OF INDEPENDENT ASSESSMENTS

Independent analysts have challenged the methodology and conclusions reached by proponents of state film incentive programs. Generally, Jennifer Weiner (2009c, 33), policy analyst for the Federal Reserve of Boston, offers that:

[52] http://www.film.ca.gov/Incentives.htm
[53] In this context, grants are cash awards for certain qualified expenditures by production companies.
[54] Tax credits provide a reduction in taxes due, after verification that statutory conditions or contractual terms have been met.
[55] Tax exemptions provide freedom from payment of taxes normally applied to certain business activities.
[56] See TABLE 2: 2014 State Film Incentives, by Type, after the Conclusion.
[57] Cast and Crew Entertainment Services maintains a website with current information regarding state financial incentives, from which the following information was gathered. See http://www.castandcrew.com/forms/CC2014FallTIPMap.pdf

> "…methodologies and results of any study should be viewed with a critical eye, (as) assumptions by individual researchers can strongly influence the economic and fiscal impact they find. Indeed, studies showing the largest positive impacts from business tax credits often suffer from problematic approaches…"

The following is a brief overview of some of the more common deficiencies and "problematic approaches" in proponent economic analyses, as identified by independent analysts. These include:

- Failure to calculate the return on investment to the state;
- Failure to consider opportunity costs;
- Overstating employment outcomes;
- Failure to account for flight of capital out-of-state;
- Attributing all in-state film-related activities to incentives;
- Including gains in local revenues in assessments of state-funded incentives; and
- Over-attributing economic outcomes to film-induced tourism.

Failure to Calculate the Return on Investment to the State

Some economic impact studies of film incentive programs developed by proponents have reported only the private gains in economic activity, but not the actual return to the state. In context, a measure of economic activity may be useful information, but in isolation it leads to misinterpretation. David Zin (2010, 30-31), Economist with the Michigan Senate Fiscal Agency, illustrates this in his review of two years' distributions from Michigan's film incentive program:

> "The $86.0 million in credits is a public sector impact and reflects the loss of revenue experienced by the state budget. The $282.0 million in expenditure (or economic activity, or output, depending on how it is presented) represents a private sector impact and reflects the increase in economic activity experienced by employees and businesses directly associated with the film production (and, depending on the report, inclusive of the "multiplier effects"). Readers often will interpret the figures to mean "the state received $3.28 back for every dollar it spent" because the state spent $86.0 million in credits and there was a positive result of $282.0 million on the economy. This sort of analysis is correct--if the reader is examining the impact of the program on the private economy. But, using this example, a $3.28 return to the private economy does not equate to a $3.28 return to the state government."

Zin further offers that the only way the state could "break even" on this economic activity would be to impose "an average state tax rate of approximately 30.0%," which could generate $86.0 million in tax revenue. He concludes that this is unlikely to happen, as "[n]o state exhibits such a high average effective tax rate." The opportunity to recoup state incentive awards is further diminished because many states exempt production-related expenditures from state sales tax, and a few states do not levy income tax on employee earnings.

For Christopherson and Rightor (2010, 342), an economic impact analysis (which is the measure of economic activity) "has to be combined with an analysis of return on investment" to evaluate film incentive programs, whether the program warrants "the outlay of tax money or taxes forgone."

Failure to Consider Opportunity Costs

A recurring criticism of proponent studies is the failure to factor opportunity costs in the economic analysis.[58] Opportunity cost is defined as "the loss of potential gain from other alternatives when one alternative is chosen."[59] Identifying opportunity costs acknowledges that limited public funds spent to subsidize film productions will be at the expense of government spending for other projects or programs, or spending by individuals subject to taxation.

Zin (2010, 27) explains the need to consider the opportunity costs in this way:

> Perhaps the most common practice in studies of film incentives, particularly those that portray the incentives most favorably, is to assume that the cost of the incentives on the state budget and state economy is zero. States generally must balance their budgets, however, so any tax credit must be offset by either reduced expenditures or increased taxes just as any direct influx of capital such as a grant or loan would require additional revenue or an offsetting reduction in expenditure elsewhere in the budget. Economists term the cost of what is foregone an "opportunity cost." When an incentive's opportunity cost to the state budget and economy is incorporated in an analysis, it is often termed a "balanced budget" analysis.

In his recent review of California's film incentive program, Mac Taylor (2014, 23-24), Legislative Analyst for California's Legislative Analyst's Office, reviewed previous reports of the Los Angeles County Economic Development Corporation (LAEDC) regarding the program. He found they failed to measure the full "economic costs" (opportunity cost and other costs related to film and television production) in their economic impact studies, thus overstating the program's benefits. He offered:

> "…the state could have used the $100 million instead to provide additional funding for other state programs, such as early childhood education or inmate rehabilitation. And just like the subsidy, any alternative funding decision would have created economic benefits through an economic multiplier effect. This is important because it is possible that an alternative funding decision could have a greater economic benefit than the film tax credit.

Taylor also noted that "many other economic studies of state policies (not just film tax credits) have similar defects" and that it is "unusual for these studies to estimate the "net" economic effect of a policy—which fully accounts for economic costs. Therefore, these studies rarely can establish in and of themselves whether a policy is the "best" choice for the public."

Similarly, Mark Robyn and Harry David (2012, 6) find that "realistic, comprehensive studies show that film production incentives cost the treasury much more than they bring in for a number of reasons," to include "overlooking the opportunity cost of spending and taxes." They go on to say:

> "Because film tax credits cost the state revenue, lawmakers must account for the opportunity costs of that foregone revenue. This lost revenue must be made up somewhere, either by higher taxes elsewhere or fewer government services. Production companies that receive the credits gain, as might businesses closely associated with those projects. But all other taxpayers that pay

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[58] MD Office of Policy Analysis (2014, 27); Taylor (2014, 29); Carr (2014, 31); McHugh and Boardman (2014, 8); Lester (2013, 452; 461-462); PA (2013, 23 & 26); Robyn & David (2012, 6); Robyn (2011); Dabson (2012, 5); Zin (2010, 21; 27-28); Christopherson and Rightor (2010, 341); Weiner (2009a, 2009b, 2009c, 16-17); Grand (2006, 796); Saas (2006, 3); and Popp and Peach (2008, 17).

[59] http://www.oxforddictionaries.com/us/definition/american_english/opportunity-cost?q=opportunity+cost

> higher tax or face reduced services lose, as do the businesses that lose the patronage of those taxpayers. Both of these results would have offsetting economic effects that would ripple through the economy, offsetting to some degree the economic effects of film productions."

In their recent review of the New York program, City University of New York professor Marilyn Rubin and Senior fellow at the Rockefeller Institute of Government Donald Boyd (2013, 81-82) acknowledged that the program has incentivized film production in the state. However, "the growth in the industry comes at the expense of higher taxes for other taxpayers or lower spending on state services and investments, possibly reducing activity in other sectors of the economy."

Jennifer Weiner (2009b, 3) observes that spending on government services also has positive economic impact on the economy, and "any reductions in government spending necessary to maintain a balanced budget will offset some of the credit's economic benefits." Importantly, Zin suggests (2010, 28) that spending for government activities is likely to have a greater economic impact than spending in the media production sector, as it "frequently will affect larger industry groups" as well as keep more of the spending in-state.

Because of the constraints imposed by balanced budget requirements, Darcy Rollins Saas, Policy Analyst with the Federal Reserve Bank of Boston, (2006, 3) recommends that film tax credit programs:

> "…be evaluated relative to other policies designed to stimulate job creation over the long run, such as across-the-board tax cuts, investment in education and infrastructure, or tax incentives targeted to other industries."

Overstating Employment Outcomes

In some cases, proponent studies overstate employment outcomes by failing to distinguish between short-term labor and full-time equivalents (FTEs); resident, nonresident, and in-migration labor; or new economic activity and redirected activity.[60] These distinctions are important as employment outcomes are a principle measurement of benefit for film subsidy programs.

Christopherson and Rightor (2010, 343) identify the challenge in calculating FTEs in the film industry labor force:

> "…one of the problems in determining the jobs created by film production lies in the project nature of work in the industry. The stable jobs in the media industries are located overwhelmingly in the major industry centers—Los Angeles and New York—and are in management or business services (entertainment lawyers or equipment rental company employees, for example). The people actually engaged in producing entertainment media products work project-to-project and are rarely employed full time for an entire year. Thus, it is difficult to calculate "jobs," or whether they are full-time or part-time, or even what portion of time film production workers are employed during the year."

Zin (2010, 29) observes that "figures supplied by film offices generally count each employee, regardless of the duration of his or her employment, and do not express figures as FTE positions."

[60] Pinder (2013, 23); Knittel (2013, 21); Robyn & David (2012, 5, 7); Henchman (2012); Zin (2010, 18-19); Christopherson and Rightor (2010, 342-343); Luther (2010, 8); and Weiner (2009a,4; 2009b, 5; 2009c, 30).

The issue of employee residency also impacts measurements of economic impact. Christopherson and Rightor (2010, 342) claim it is one of the "two most important estimates in models of broader economic impact on a state economy." Matthew Knittel (2013, 21), Director of the Pennsylvania Independent Fiscal Office, notes that much of the spending by non-residents "leaks out" of the state economy, as they "spend only a small share of their earning in the state while working on a production." In contrast, spending by in-state residents is largely retained.

In his review of state film subsidy programs, former Economist with the Federal Reserve Bank of Boston Robert Tannenwald (2010, 6) concludes that non-residents are used because most locations outside of New York and Los Angeles "lack crew depth — an ample supply of workers possessing the skills needed to make a feature-length movie." Additionally, "movie-making is so mobile that producers import their own scarce talent, such as principal actors, directors, cinematographers, and screen writers." While general crew members ("below-the-line" workers) may be available locally, the "above -the-line" talent tends to travel with the productions.

Zin (2010, 29) suggests that while:

> "…most states offer incentive programs that discriminate between resident and nonresident employees, and thus should possess data that can allow analysts to differentiate the employees in their analysis, many of the reports fail to indicate whether the adjustment has been made."

If this differentiation is not made, the estimates of economic impact will be overstated.

Another way that proponent studies overstate employment outcomes is by failing to distinguish between "new or additional" activity, versus a redirection of existing activity. Zin (2013, 29-30) finds:

> "Most studies generally … assume that all additional employment related to a production (both direct and indirect) represents an increase in employment. In other words, a make-up artist who works on a production is assumed to have been unemployed absent the production, rather than merely working more hours. Similarly, the analysis assumes the employee has not shifted his or her employment from working on credit-eligible productions instead of another production that does not qualify for the credit. Similarly, services hired by the production (such as for a caterer or set construction) are assumed to represent new activity, rather than taking away from existing activity. The model implicitly assumes that no groups that otherwise would have hired the caterer or the construction worker choose to do without those services as a result of the commitment the caterer or construction worker has made to the film production. Obviously, the extent to which film activity merely redirects existing activity will have a significant impact on the real world effects of the incentives. In the extreme, if 100% of the film-related activity were simply redirected transactions, the net increase on the economy would be zero."

Failure to Account for Flight of Capital Out-of-State

Expenditures benefitting non-resident enterprises constitute a flight of capital out-of-state. In-state expenditures to out-of-state businesses have marginal or no economic benefit when the money leaves the state. The film industry is mobile, and much of the production technical support tends to follow individual projects. Zin (2010, 28) concludes that economic studies "that fail to account for the flight of capital out of state will seriously overstate the impact of any incentive program."

Attributing All In-State Film-Related Activities to Incentives

Most studies assume that the incentive caused the productions qualifying for the incentive, that 'but-for' the incentive, the production company would not have chosen the state for filming. [61] Anthony Popp and James Peach (2006, 10), of the Arrowhead Center, Office of Policy Analysis, New Mexico State University, note that this "assumption generates the largest measure of economic activity and therefore will generate the largest return per dollar of expenditure by the state."

There are, however, counter-arguments to this assumption. First, the physical setting may be an essential component of the production. Jennifer Carr (2014, 32), Deputy Editor of State Tax Notes, suggests that some productions "would have been filmed where they were with or without the enticement of a film credit because the story demanded it."[62] Second, Saas (2006, 2) suggests that existing production infrastructure may lead to new productions, as the talent and production capacity are major considerations in selecting a production site. Rubin and Boyd (2013, 15) noted that two proponent-funded economic impact studies of the New York incentive program assumed "no credit-qualifying film would have been produced in New York State absent the credits despite the long-standing existence of a well-developed film production industry in the state."

Weiner (2009c, 31) offers her assessment on the 'but-for' assertion:

> "To my knowledge, no study has attempted to model what level of film production state tax credits actually induce. Anecdotal evidence of production counts and spending before and after such credits take effect suggest that they do attract the targeted activity. However, the assumption embedded in most studies -- that all credit-assisted projects are credit-induced -- may be generous."

Some studies attribute the economic output of non-incentivized production-related activity to the agglomeration of film and television productions incentivized by the credit. Again, Rubin and Boyd (2013, 15) noted that the two proponent-commissioned New York studies assume:

> "…credit-qualifying film productions would cause substantial credit-ineligible film production activity to locate in New York to take advantage of a film production industry cluster that would not exist but for the credit."

Similarly, Professors Pavel Yakovlev and Antony Davies (2009, 5) of Duquesne University found a Pennsylvania study included the economic impact of "film productions encouraged by the tax credit…" in their economic impact assessment of the state program.

Including Gains in Local Revenues in Assessments of State-Funded Incentives

Some proponent studies include estimated gains in local as well as state revenues in their assessments of state- funded film incentives. Zin (2010, 33) concludes that inclusion of local revenue:

> "…presents an inaccurate evaluation from a budgetary perspective: State governments may not balance their budgets by counting revenue received by local governments. Increases in local tax

[61] For a discussion of the "But-For" assertion in evaluating economic development incentives, see "Return on investment for Select State Economic Development Incentive Programs," Office of Economic and Demographic Research, Florida Legislature, 1/1/14. http://edr.state.fl.us/Content/special-research-projects/economic/EDR%20ROI.pdf
Also see Robyn & David (2002, 3).

[62] Also see Christopherson and Righter (2010, 345).

revenue, while advantageous to local units of government (particularly if attributable to the film incentives), do not provide a relevant offset for a state funded tax credit. States are obligated to find ways to afford the incentives they adopted from their own revenue and expenditure policies."

Over-Attributing Economic Outcomes to Film-Induced Tourism

Film-Induced Tourism (FIT) describes the phenomenon of film and television viewers visiting the specific places or regions where filming occurred or is depicted in the film.[63] Images of and positive associations with locales as presented in films and television programs are argued to be a useful promotional device, a valuable advertisement or marketing tool for the region.

Generally, academic research on FIT addresses the type and motivations of tourists, the promotional value of film in relation to tourism, the need for integrated marketing strategy to capitalize on filmed destinations associated with popular productions, and the influence of residents' perceptions and attitudes regarding tourism development of a destination.

While much of this research acknowledges the impact of specific individual productions,[64] independent research attempting to quantify the economic value of the general phenomenon is scarce. A 2012 study by the New Zealand Ministry of Economic Development (ministry) referenced surveys of international travelers regarding FIT (NZMED 2012, 34-35). One survey of 5,200 visitors conducted between April, 2003 and March 2005 attempted to assess "whether respondents had visited New Zealand as a result of seeing" the Lord of the Rings film trilogy. The survey revealed that while 94 percent "said they knew the films were made in New Zealand," about 0.52 percent stated the films were "the main or only reason for their visit." A more recent survey by the ministry "estimated that 0.3 per cent of June quarter visitors, or 1,656 people, reports "movies" (not further defined) as the main influence for visiting New Zealand, and a further 5.7 per cent (27,406) reported "movies" as an "other" influence."

A 2014 survey by the Florida Office of Economic and Demographic Research asked fifty Florida Destination Marketing Organizations (DMOs) to rank the top reasons that tourists visited their communities. FIT was one of the 10 listed response options. Twenty-eight DMOs responded to the survey, only 13 of which listed FIT as one of the many reasons tourists visited their area. All of the major tourist markets were represented in the 28 responses. One ranked FIT as 6th, one as 8th, five listed it as 9th, and six ranked FIT as 10th. This survey indicates that DMOs in the major tourist markets do not consider FIT as a significant influence in tourists' decision to choose Florida as a vacation destination. [65]

Alderman, Derek, Benjamin & Schnieder (2012, 213) observe that FIT "is increasingly promoted in the United States and globally as a marketing and economic development tool." Some proponent-commissioned economic impact studies attribute notable, and some possible significant, economic benefits to FIT.

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[63] Film-induced tourism may be specifically described as: (1) People visiting the locations where actual filming occurred; (2) people visiting locations represented in the film, but were not the actual filming location; and (3) people attending attractions that simulate the experiences from a film (for example, Universal Studios or the Disney theme parks).
See Derek H. Alderman, Stefanie K. Benjamin and Paige P. Schneider, "Transforming Mount Airy into Mayberry: Film-Induced Tourism as Place-Making." Southeastern Geographer Volume 52, Number 2, Summer, 2012: 212-239.

[64] See Hudson and Ritchie (2006) for a list of examples, through 2000. See subsequent MPAA studies for more recent examples.

[65] Surveys results are available upon request.

Independent analysts express skepticism of these proponent claims.[66] It may be that proponent studies fail to explain or they provide insufficient information as to how FIT impacts were derived. In some cases, estimates are based on the anecdotal evidence from prominent productions, the results of which are projected to in-state productions. When surveys are used as the primary support for their assumptions, the methodology and the inferences drawn from survey respondents have been questioned.

Specifically, McHugh and Boardman (2014, 8) find that most of the studies that have attempted to estimate the economic impact of FIT "rely on questionable data, use a variety of methodologies, and reach differing conclusions." William Luther (2010, 11) finds that "while tourism is expected to be positively correlated with movie productions, there is no reason - or evidence - that this correlation is very large or powerful." Taylor (2012, 7) concludes that the effects of FIT:

> "…would be difficult to measure, would sometimes (based on the content of particular credited films) be positive, and could hypothetically be negative at times (based on negative perceptions of the state created by some films). It is difficult to assume, however, that the content of credited films would routinely be significant in terms of inducing film-related tourism to California."

Weiner (2009b, 4) acknowledges that "…increased film production in a state may lead to increased tourism, which can have economic and fiscal benefits. However, attributing tourism spending to a film tax credit is difficult, if not impossible."

Christopherson and Rightor (2010, 344) explain the circumstances that contribute to the complexity of assessing the economic impact of FIT, whether studio facilities or other film sites:

> "… the economic impact of these attractions is difficult to calculate because each site is different. Sites that are far from cities and accommodations may occasion a visit, but the local economy derives few if any expenditures, particularly if the visits are seasonal. Sites in already established tourist destinations, such as Boston or New York City or Los Angeles, are visited as part of a broader itinerary, and it is difficult to parse their specific impact on tourism expenditures in those locations. Since a visit to a media shooting site may be interchangeable with another tourism experience such as a visit to a street fair or community festival, it is difficult to attribute specific economic benefits to this category of tourist experience.
> Finally, as the New Mexico survey of potential visitors indicates, these entertainment media related sites are only a minor reason for visiting the State…Since the vast majority of visitors to New Mexico perceive a media shoot site as one activity on the "list of things to see," it is difficult to make a direct link between film and television production subsidies and increased tourism expenditures. While shoot sites may increase the "list of things to see," they do not drive the decision to visit the state or determine the length of stay except for a fraction of the tourist population."

Carr (2014, 32) concludes that "overly optimistic studies can rely too heavily on film-related tourism to inflate the economic activity numbers."

[66] MD Office of Policy Analysis (2014, 47); Carr (2014, 32); McHugh and Boardman (2014, 8); Taylor (2012, 7); Christopherson and Rightor (2010, 343-344); Luther (2010, 11); Weiner (2009b, 4); Francis (2009, 5); and Beeton (2006).

STATE PROGRAM FEATURES THAT NEGATIVELY IMPACT ROI

There are a number of program features that negatively impact the ROI of state film incentives when the analyses are done correctly:

- Awarding incentives for expenditures to out-of-state entities;
- Awarding transferable tax credits;
- Rewarding activity that would have occurred absent the incentive; and
- Subsidizing temporary economic activity.

Awarding Incentives for Expenditures to Out-of-State Entities

Most state incentive programs limit incentives to "qualified expenditures" made in-state. To the extent that expenditures occurring in-state by out-of-state businesses are qualified expenditures, the program subsidizes activity that has significant leakages relative to other state expenditures where the funds continue to ripple through the state's economy.

In his review of Michigan's film incentive program, Zin (2010, 24) observes that like some other states, the program:

> "…requires only that the expenditures occur in Michigan in order to be eligible for the credit…If an out-of-state film production company hires the services of an out-of-state mobile postproduction unit, and the expenditure occurs in Michigan, it will be eligible for the credit. However, none of the money will contribute to the State's economic activity: The transaction is between two out-of-State entities and simply occurs within the boundaries of Michigan.

While these types of transactions may generate an initial impact if part of the expenditure is made in-state, "the funds for the transaction essentially flow out of the State immediately."

Similarly, if the wages paid to non-residents are deemed qualified expenditures, there is little or no benefit to the state economy.

Awarding Transferable Tax Credits

Many states use tax credits to incentivize a variety of private economic activities. For some businesses, credits are more reliable than grant programs because credits are not subject to annual appropriations. Others point to the local of sufficient liability to take the authorized credits. Tax credits are essentially foregone revenues that could have been otherwise been spent in the state budget. They provide a reduction in taxes due, after verification that statutory or contractual terms have been met. Absent a tax obligation, businesses are unable to benefit from the credit.

Many state film incentive programs award transferable tax credits to qualified productions. These credits may be sold to someone with a tax obligation, either directly or through an intermediary, and typically at a discount. Some states may also offer to buy-back the credit, typically at a pre-set discount. In both circumstances, the credit functions as a cash grant to the production company, thereby offsetting their production costs.[67] Selling tax credits, or redeeming them through state buy-back programs, allow production companies to monetize the credits immediately when they have little or no tax liability.

[67] *Pitter (2013, 9); Rubin and Boyd (2013, 72, 75); and Weiner (2009a, 2).*

However, some analysts find that incentivizing film productions with transferable tax credits "cost states considerable foregone tax revenue" that does not directly benefit the film production.[68] The act of transferring the credits at a discount means some of the benefit (equal to the discount) goes to unrelated industries. In effect, the state pays more than it has to for the same amount of production activity.

Christopherson & Rightor (2010, 340) provide this overview of how film tax credits are sold and redeemed, and the fiscal consequences:

> "Producers or project investors can secure eligibility for a tax credit of an authorized amount in advance of production, and then sell that credit to any party that needs it to reduce their tax liability in that state. The buyers of these tax credits are typically individuals or corporations with no connection to the media entertainment industry, but with significant state tax liabilities. The production companies obtain upfront cash in return for selling tax credits that, in many cases, exceed what they could use. The buyers procure those tax credits at a discount, for example eighty cents on the dollar, thereby effectively decreasing that amount of their tax bill by 20 percent. The state loses 100 percent of the credit amount in revenue."

From an allocation perspective, incentive programs that allow for the transfer of tax credits are inefficient.[69] Oklahoma's 2011 "Task force on Tax Credits and Economic Incentives" concluded that transferable tax credits:

> "…have the undesirable feature of allowing persons or business entities having no economic connection to targeted business or economic activity to reduce their personal or business tax liabilities. This constitutes an inefficient use of state revenue partly because transferable credits are frequently sold at a discount -- diminishing the impact of the credit for the business enterprise that was supposed to be able to benefit from the credit program in the first instance."

In her recent review of Massachusetts' film incentive program, Amy Pitter (2013, 22, 3), Massachusetts Commissioner of Revenue, notes that:

> "Of the $326.5 million in film credits generated between calendar years 2006 and 2011 … $291.2 million were sold directly to other Massachusetts taxpayers or to tax credit brokers. For the $291.2 million in face value credits, $250.5 million was paid directly to film production companies, $8.7 million was gross profit of tax credit brokers, and $32.0 million benefited other Massachusetts taxpayers in the form of reduced net tax payments to the Commonwealth."

Arguably, states could offer grants at the discounted value of the tax credits for the same level of incentivized economic activity. Alternatively, the grants could be kept at the same level of funding, and increase the subsidy going directly to film production.

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[68] *Saas (2006, 1); Also see Grand (2006, 796) and Albrecht (2005, 1-2).*

[69] Rothstein and Wineinger (2007, 53 and 66) find that transferability "adds an extra dimension of costs and benefits to a tax credit." In his review of Iowa's tax credits, Richard Oshlo (2010, 4) finds that transferability of tax credits "siphons resources from awarded entities." Baxter (2011, 46) notes that the combination of selling credits at a discount, paying tax brokers to facilitate the transaction, and state agency costs in the administration of the process "chips away some value from the incentive."

Rewarding Activity That Would Have Occurred Absent the Subsidy

Productions choose sites for a variety of reasons, including access to state subsidies. However, some states may award subsidies to productions without definitively establishing that the subsidy is the determinative factor in choosing the state.[70] As previously noted, for some productions the physical setting is essential to the film. Where the location is the draw, and the location cannot be replicated in another location or through special effects, incentives are unnecessary. Additionally, Christopherson and Rightor (2010, 341) observe that:

> "…state subsidies can result in "tax windfalls" to some projects because the subsidies are granted after the decision has been made to locate production in that state, and thus are underwriting productions that could have been obtained without the subsidy."

Subsidizing Temporary Economic Activity

Most state film incentives subsidize short-term economic activity in a highly mobile industry that is able to shift future production in response to incentives offered by competing states. On the whole, the jobs and production expenditures are temporary and sporadic. Unlike many other economic development incentives, incentive recipients are not required to invest in facilities, which could increase the ROI for the incentive program and demonstrate the production company's long-term commitment to the granting state.

SUMMARY OF INDEPENDENT STUDIES

Many independent analysts conclude that state film subsidy programs are not self-supporting, as they generate less in state tax revenue than the state payments funding the incentives.[71] At the current subsidy levels and under the current state tax structures, the tax revenues from direct expenditures by subsidy recipients and any indirect and induced effects, are insufficient to recoup the costs of state incentive programs. Additionally, many independent analysts are skeptical of proponent claims regarding the economic impact of film-induced tourism.

A number of these studies are listed below. These studies consider the program features unique to each state, and use methodologies that are generally consistent with the assumptions and best practices identified in the academic literature.

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[70] Robyn and David (2012, 3); Luther (2010, 12); Christopherson and Rightor (2010, 339); Tannenwald (2010, 7); Weiner (2009c, 32); Yakovlev and Davies (2009, 2); Sass (2006, 2);

[71] For MD program: MD Office of Policy Analysis (2014, 8); Carr (2014, 31 & 33); For NC program: McHugh and Boardman (2014, 1); Rubin and Boyd (2013, 82); Robyn and David (2012, 8); Taylor (2012, 8); Christopherson and Rightor (2010, 349); Tannenwald (2010, 8); Luther (2010, 12); Weiner (2009c, 31); Francis (2009, 1); Saas (2006, 1); and for LA program, Albrecht (2005, 6).

TABLE 1

Estimates of Return on Investment by Independent Analysts for State Film Incentive Programs

State	Year of Review	Research or Report Sponsor	% of Reimbursement for Qualified Expenditures	ROI to the State
Alaska	2012	Legislative Budget & Audit Cm	30 - 44%	$0.07
Arizona	2008	Department of Commerce	20 - 30%	$0.27
California	2014	Legislative Analyst Office	20 - 25%	$0.65
Connecticut	2014	Dept. of Economic & Com. Dev.	30%	-$0.09
	2008	Dept. of Economic & Com. Dev.	30%	$0.08
Florida	2014	Economic & Dem. Research	20 - 30%	
		Credits Awarded and Redeemed in 3-Year Review Period		$0.43
		Credits Awarded, with Total Potential Costs of Redemptions in a 3-Year Period		$0.25
Louisiana	2013	Dept. of Economic Development	30 - 35%	$0.11
	2011	Legislative Fiscal Office		$0.15
	2009	Dept. of Economic Development		$0.13
	2005	Legislative Fiscal Office		$0.16 to $0.18
Maryland	2014	D of Legislative Services (Draft)	25 - 27%	$0.06*
Massachusetts	2013	Dept. of Revenue	25%	$0.13
Michigan	2014	Michigan Film Office**	29% (2012)	$0.38
			37% (2011)	$0.24
	2010	Senate Fiscal Agency	42%	$0.11
New Mexico	2014	Dept. of Finance & Administration	25 - 30%	$0.33
	2008	Legislative Finance Committee	25%	$0.14
North Carolina	2014	Legislative Services Office	25%	$0.46***
Pennsylvania	2013	Independent Fiscal Office	25 - 30%	$0.14

* October 2014 Draft

** While commissioned by the Michigan Film Office, the analysis was conducted by Regional Economic Models, Inc., a recognized independent research entity.

***4/13/14 Preliminary

Source: See References section for links to the respective studies listed above. In addition, the page includes links to recent impact studies commissioned by the Motion Picture Association of America (MPAA).

CONCLUSION

Return on Investment

More rigorous analyses uniformly conclude that state film incentive programs generally provide substantial subsidies for short-term productions that are unable to generate sufficient taxable activity for the state to recoup the costs of the program. In their recent review of the New York program, Rubin and Boyd (2013, 81-82) concede that film incentives have:

> "…definitely caused film production to locate in New York, as would a credit of similar magnitude for any potentially mobile industry. Nonetheless, that activity is not large enough to cause the credit to pay for itself. It would take implausible assumptions to reach that conclusion."

Development of Permanent, In-State Film Industry
Additionally, independent analysts find that film production incentives are likely to be ineffective in developing a permanent, non-subsidized in-state film industry.[72] Film production is a highly mobile industry, able to respond to more lucrative incentives from competing states. Sustained production activity requires sustained subsidies.[73]

In his testimony before the Finance Committee of the Alaska House of Representatives, Joseph Henchman of the Tax Foundation (2012) offered this assessment:

> "Generally, states have adopted film tax incentives out of a desire to build a film industry in the state. Because California (and to some extent, New York) have already done this, and because most states are far behind early tax program adopters like Hawaii, Louisiana, and the Canadian provinces, this can be very difficult. Productions flock to whichever state offers the most generous incentive and leave as soon as another state offers a more generous one.
>
> The underlying framework for film tax credits to build a permanent industry is therefore flawed. The idea is to subsidize each production as it flows through the state, in the hopes that enough productions will be cycling through, creating a critical mass that builds lasting infrastructure that in turn, at some future date, can survive successfully without ongoing state financial support of the industry. No state has achieved this economic development model with film tax incentives; the closest is Louisiana, which has seen substantial infrastructure investment but with no end in sight to annual state film incentive support."

Film Induced Tourism
As for the potential to recover state program costs through film-induced tourism, many independent analysts are skeptical, concluding the economic benefits are largely unsubstantiated and likely overstated. However, they do acknowledge that to the extent that state subsidies result in a significant number of popular productions where the physical site is a prominent feature favorably shown, is an essential "character" or component of the show, or the productions popularize new or emerging site-specific activities,[74] and visiting the physical site is the primary reason for out-of-state travel, then film-induced tourism may have quantifiable economic and fiscal benefits sufficient to fund, to some extent, film subsidies. While there may be individual prominent exceptions, on the whole most productions fail to satisfy these criteria, and state programs do not generate enough of the exceptions to support the public subsidies.

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[72] *MD OPA (2014, 57); Klowden, Hamilton, and Keough (2014, 13); Christopherson and Rightor (2010, 336-352); and Robyn and David (2012, 4 and 8).*
[73] *MD Office of Policy Analysis (2014, 27; 41-42); Klowden, Hamilton, and Keough (2014, 16); Carr (2014, 33); Rubin and Boyd (2013, 77); Tannenwald (2010, 8); and Weiner (2009a, 2; 2009c, 32).*
[74] *This has been referred to this as the "Deliverance" effect, a reference to the popular 1972 movie of the same name. This effect describes the impact a production has on tourism by promoting a place and an associated activity, in this case, the white-water tourist industry in north Georgia.*

TABLE 2:
2014 State Film & Related Entertainment Incentives, by Type

	F & R E Incentive	Grant (Refund)	Tax Credit	Transferable	Refundable	Sales or Hotel Tax Exemption
Alabama	X	X				X
Alaska	X		X	X		
Arizona	**					
Arkansas	X	X				
California	X		X			
Colorado	X	X				
Connecticut	X		X			X
Delaware	*					
Florida	X		X	X		X
Georgia	X		X	X		X
Hawaii	X		X		X	
Idaho	**					
Illinois	X		X	X		
Indiana	**					
Iowa	**					
Kansas	**					
Kentucky	X		X		X	
Louisiana	X		X	X	X	
Maine	X	X	X			X
Maryland	X		X		X	
Massachusetts	X		X	X	X	X
Michigan	X	X				
Minnesota	X	X				X
Mississippi	X	X				X
Missouri	**					
Montana	X	X	X		X	X
Nebraska	X					X
Nevada	X		X	X		
New Hampshire	*					
New Jersey	X		X	X		X
New Mexico	X	X	X		X	X
New York	X		X		X	
North Carolina	X	X				
North Dakota	***					
Ohio	X		X		X	
Oklahoma	X	X ****				
Oregon	X	X				X
Pennsylvania	X		X	X		X
Rhode Island	X		X	X		
South Carolina	X	X				X
South Dakota	*					
Tennessee	X	X				X
Texas	X	X				X
Utah	X	X				X
Vermont	X					X
Virginia	X	X	X			X
Washington	X	X				X
West Virginia	X		X	X		X
Wisconsin	**					
Wyoming	X	X				
Puerto Rico	X		X	X		
TOTAL	**40**	**19**	**23**	**12**	**9**	**22**

* No specific state incentive for film and related entertainment.
** State repealed or ceased funding incentive for film and related entertainment.
*** North Dakota has a general income tax exemption, for which film productions may qualify
**** Oklahoma also offers a film/music project or facility investment tax credit.
Source: http://www.ncsl.org/Portals/1/Documents/fiscal/2014FilmIncentivePrograms.pdf last accessed 10/31/14.

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Yale, Camille K. "Runaway Film Production: A Critical History of Hollywood's Outsourcing Discourse." Diss. University of Illinois at Urbana-Champaign, 2010. Ideals.illinois. University of Illinois at Urbana-Champaign. Web. 30 Oct. 2012.

Zin, David, “Film Incentives In Michigan.” The Senate Fiscal Agency, Michigan Senate. September 2010

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/20/15
Meeting Date

Bill Number (if applicable)

Topic FL Film and Entertainment Incentives

Amendment Barcode (if applicable)

Name ALEX REGALADO

Job Title Senior Legislative Analyst

Address
Street

Phone

City State Zip

Email

Speaking: ☐ For ☐ Against ☐ Information

Waive Speaking: ☐ In Support ☐ Against
(The Chair will read this information into the record.)

Representing OPPAGA

Appearing at request of Chair: ☑ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/14/14)

THE FLORIDA SENATE

APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Jan 20, 2015
Meeting Date

Bill Number (if applicable)

Amendment Barcode (if applicable)

Topic: Entertainment Industry/Financial Incentive

Name: Jud French

Job Title: CEO, The Nexxt Grap LLC

Address: 690 Osceola Ave, Suite 700
Street

Winter Park, FL 32879
City *State* *Zip*

Phone: 407-252-4404

Email: TheNexxtGrap@gmail.com

Speaking: [x] For [ ] Against [x] Information

Waive Speaking: [ ] In Support [ ] Against
(The Chair will read this information into the record.)

Representing: My entertainment industry firm

Appearing at request of Chair: [ ] Yes [ ] No

Lobbyist registered with Legislature: [ ] Yes [x] No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/14/14)

THE FLORIDA SENATE
Tallahassee, Florida 32399-1100

SENATOR JEREMY RING
29th District

COMMITTEES:
Governmental Oversight and Accountability, *Chair*
Appropriations Subcommittee on Finance and Tax, *Vice Chair*
Appropriations
Appropriations Subcommittee on Transportation, Tourism, and Economic Development
Banking and Insurance
Commerce and Tourism
Judiciary
Rules

JOINT COMMITTEES:
Joint Legislative Auditing Committee
Joint Select Committee on Collective Bargaining

RECEIVED
JAN 20 2015
COMMERCE

January 20, 2015

The Honorable Nancy Detert, Chair
Committee on Commerce and Tourism
310 Knott Building
404 S. Monroe Street
Tallahassee, FL 32399-1100

Dear Chairwoman Detert:

Please accept this letter as a formal request to be excused from the Committee on Commerce and Tourism meeting, which is scheduled for 3:30 p.m. today. I planned to attend the meeting, however, when I arrived at Miami International Airport this morning, I was without a ticket. Therefore, I am driving up to Tallahassee and will not arrive until after the committee meeting. I apologize for any inconvenience this may have caused you or the committee.

If you need further information, please do not hesitate to contact me or my staff.

Sincerely,

Jeremy Ring

Senator Jeremy Ring
District 29

cc: Todd McKay, Staff Director
Patty Blackburn, Committee Administrative Assistant

REPLY TO:
☐ 5790 Margate Boulevard, Margate, Florida 33063 (954) 917-1392 FAX: (954) 917-1394
☐ 405 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5029

Senate's Website: *www.flsenate.gov*

CourtSmart Tag Report

Room: EL 110 **Case:** **Type:**
Caption: Senate Commerce and Tourism Committee **Judge:**

Started: 1/20/2015 3:35:01 PM
Ends: 1/20/2015 5:00:45 PM Length: 01:25:45

3:35:06 PM	Call to order
3:35:10 PM	Opening comments Senator Detert
3:36:29 PM	Tab 1 VISIT FLORIDA
3:36:49 PM	Mary Alice Nye, OPPAGA
3:46:07 PM	Senator Detert
3:49:44 PM	Senator Bean
3:53:05 PM	Senator Thompson
3:54:51 PM	Amy Baker, Return on Investment
4:12:02 PM	Senator Bean
4:13:15 PM	Amy Baker
4:18:51 PM	Senator Thompson
4:23:12 PM	Senator Bean
4:23:56 PM	Tab 2 Sports Incentives
4:24:09 PM	Larry Novey, OPPAGA
4:33:28 PM	Senator Detert
4:36:46 PM	Amy Baker, Return on Investments
4:40:12 PM	Senator Dean
4:40:25 PM	Amy Baker
4:45:03 PM	Senator Detert
4:46:39 PM	Amy Baker
4:47:14 PM	Tab 3 Entertainment Industry Incentives
4:47:40 PM	Alex Regalado, OPPAGA
4:50:26 PM	Senator Detert
4:51:04 PM	Alex Regalado
4:54:16 PM	Amy Baker, Return on Investment
4:58:16 PM	Jud French, The Nexxt Grap LLC
5:00:12 PM	Adjourned