

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Appropriations

BILL: SB 434

INTRODUCER: Senator Hooper and others

SUBJECT: Florida Tourism Marketing

DATE: January 26, 2022

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Renner</u>	<u>McKay</u>	<u>CM</u>	Favorable
2.	<u>Hrdlicka</u>	<u>Sadberry</u>	<u>AP</u>	Favorable

I. Summary:

SB 434 extends the scheduled repeal date for the Florida Tourism Industry Marketing Corporation, doing business as VISIT FLORIDA, and the Division of Tourism Marketing within Enterprise Florida, Inc., until October 1, 2031.

Without the bill, the statutory provisions for these entities will be repealed on October 1, 2023.

The five-year average of appropriations to VISIT FLORIDA is \$65.4 million. If VISIT FLORIDA is repealed on October 1, 2023, the dissolved entity's assets, after all legal liabilities and obligations have been paid or adequate provision for them have been made, will revert to the state.

The bill takes effect upon becoming a law.

II. Present Situation:

Enterprise Florida, Inc., and VISIT FLORIDA

Enterprise Florida, Inc., (EFI) is a non-profit corporation created to act as the state's economic development organization, using expertise from both the private and public sectors. EFI is not a unit of state government.¹

EFI is statutorily required to maintain at least five divisions related to the following areas:

- International trade and business development;
- Business retention and recruitment;
- Tourism marketing;

¹ Sections 288.901(1) and (2), F.S.

- Minority business development; and
- Sports industry development.²

EFI's Division of Tourism Marketing is the mechanism created in statute through which EFI interacts and contracts with its direct support organization, VISIT FLORIDA. VISIT FLORIDA is the fictitious name for the Florida Tourism Industry Marketing Corporation, a nonprofit corporation that serves as Florida's statewide destination marketing organization and represents the state's tourism industry.³ In practice, VISIT FLORIDA is EFI's tourism marketing division. The division is staffed by VISIT FLORIDA, but that staff is not employed by EFI.⁴ VISIT FLORIDA's primary responsibilities include:

- Administering domestic and international advertising campaigns;
- Conducting research on tourism and travel trends;
- Coordinating domestic and international marketing activities; and
- Managing the state's four welcome centers.⁵

VISIT FLORIDA is required to develop a four-year marketing plan for the state that addresses issues such as continuation of tourism growth in Florida, expansion to new or underrepresented markets, coordination with local and private sector partners on tourism advertising, and addressing emergency responses to disasters from a marketing standpoint.⁶

EFI, in conjunction with the Department of Economic Opportunity (DEO), appoints VISIT FLORIDA's 31-member board of directors. The board "provides guidance, input, and insight into the evolution and development of [VISIT FLORIDA] programs, processes, and messages; acts as a steering council for various committees; and works directly with [VISIT FLORIDA] executive staff to guide strategy."⁷ VISIT FLORIDA's board of directors is composed of 16 regional members, with at least two representing each of the six statutorily designated geographic areas of the state, and 15 additional tourism industry related members, including:

- One from the statewide rental car industry;
- Seven from tourist-related statewide associations;
- Three from county destination marketing organizations;
- One from the cruise industry;
- One from an automobile and travel services membership organization;
- One from the airline industry; and
- One from the space tourism industry.⁸

² Section 288.92(1), F.S.

³ Section 288.1226, F.S. The fictitious name is registered with the Florida Department of State, registration no. G18000088414.

⁴ Section 288.923(5), F.S.

⁵ Office of Program Policy Analysis and Government Accountability, *Florida Economic Development Program Evaluations – Year 8*, 13 (December 2020), available at <https://oppaga.fl.gov/Documents/Reports/20-08.pdf> (last visited Jan. 21, 2022). Pursuant to s. 288.12265, F.S., VISIT FLORIDA contracts with the Department of Transportation through EFI to employ staff and operate the welcome centers. See also VISIT FLORIDA, *Florida Welcome Centers*, available at <https://www.visitflorida.com/en-us/visitor-services/florida-welcome-centers.html> (last visited Jan. 21, 2022).

⁶ Section 288.923(4)(c), F.S.

⁷ *Supra* note 5 at 12.

⁸ Section 288.1226(4), F.S.

For the 2021-2022 fiscal year, VISIT FLORIDA received an appropriation of \$75 million.⁹ Payments are made to VISIT FLORIDA through EFI from the DEO. VISIT FLORIDA enters into a funding agreement with EFI and the DEO and an operating agreement with EFI.¹⁰

Both VISIT FLORIDA and EFI's division of tourism marketing will sunset on October 1, 2023, unless reviewed and saved from repeal by the Legislature.¹¹

Economic Development Programs Evaluations

Pursuant to s. 288.0001(2)(b), F.S., the Office of Economic and Demographic Research (EDR) and the Office of Program Policy Analysis and Government Accountability (OPPAGA) must provide a detailed analysis of certain economic development programs according to a recurring schedule established in law. The OPPAGA's most recent evaluation of VISIT FLORIDA was completed in December 2020, while EDR's most recent evaluation of VISIT FLORIDA was completed in January 2021 and covered Fiscal Years 2015-2016, 2017-2018, and 2018-2019.

OPPAGA Review

The OPPAGA is required to evaluate programs for effectiveness and value to the state taxpayers and to provide recommendations for consideration by the Legislature. The review determined that Florida is outpacing several other states in tourism growth and has a significant competitive advantage compared to other states with strong tourism industries, such as California, Nevada, New York, and Texas.¹²

As a public-private partnership, VISIT FLORIDA is required to obtain private sector contributions to match public contributions. Eligible matching contributions come from four categories:

- Direct cash contributions;
- Fees for services;
- Cooperative advertising, which is limited to partner expenditures for paid media placement and actual market value of contributed products, air time, and print space; and
- In-kind contributions, which is limited to the actual market value of promotional contributions of partner-supplied benefits or of nonpartner-supplied airtime or print space.¹³

VISIT FLORIDA has continually met the statutorily required one-to-one match of public and private funding. Over the review period, 83 percent of private sector contributions were in the form of industry-contributed promotional value.¹⁴ On average, VISIT FLORIDA spends 59 percent of its annual budget on media and industry cooperative advertising efforts; most of

⁹ Chapter 2021-036, s. 152, Specific Appropriation 2251, Laws of Fla.

¹⁰ See *Funding Agreement SB22-003 – Agreement between the Department of Economic Opportunity, Enterprise Florida, Inc., and the Florida Tourism Industry Marketing Corporation*, executed October 4, 2021, available at <https://facts.fldfs.com/Search/ContractDetail.aspx?AgencyId=400000&ContractId=S0165&Tab=4> (last visited Jan. 21, 2022).

¹¹ Sections 288.1226(14) and 288.923(6), F.S. See ch. 2020-16, Laws of Fla.

¹² *Supra* note 5, at 11

¹³ Section 288.1226(6), F.S.

¹⁴ *Supra* note 5, at 14

the remaining expenditures are comprised of fees and services and salaries and benefits.¹⁵ Certain contracts are subject to several reporting and transparency requirements.¹⁶

VISIT FLORIDA's paying partners, which include members of the hospitality, entertainment, and outdoor recreation industries, have expressed overall support for the agency's mission and services.

EDR Review

The EDR is required to analyze the economic benefits of the programs included in the OPPAGA's program evaluation. Economic benefit is defined as the direct, indirect, and induced gains in state revenues as a percentage of the state's investment, including state grants, tax exemptions, tax refunds, tax credits, and other state incentives.¹⁷ The EDR uses the terms economic benefit and return on investment (ROI) synonymously; these terms do not address the overall effectiveness or benefit of a program and instead focus on tangible financial gains or losses to state revenues.¹⁸

In its most recent review period, VISIT FLORIDA generated a positive ROI of 3.27. For every dollar spent on VISIT FLORIDA's marketing efforts, the state received \$3.27 back in tax revenue. From the state's investment of \$228 million over the review period, VISIT FLORIDA contributed approximately \$15.85 billion to Florida's GDP and \$744.64 million in state revenue. VISIT FLORIDA's positive ROI benefited from both the aggregate amount of spending and the types of purchases made by tourists, the majority of which are subject to state sales and use tax, and from the investments made by VISIT FLORIDA's marketing partners, as VISIT FLORIDA's total share of marketing spend was lower than in previous years.¹⁹

Though it is difficult to determine VISIT FLORIDA's precise influence on the state's tourism industry compared to that of other marketing efforts due to the many determinants of tourism demand, the EDR approximates that, over the review period, the agency was responsible for approximately 9.05 percent of all marketing-influenced tourists. This amounts to an estimated 17.57 million domestic out-of-state tourists and 2.35 million international tourists attributable to VISIT FLORIDA's marketing efforts.²⁰

¹⁵ *Id.*

¹⁶ Chapter 2017-233, s. 17, Laws of Fla., created reporting and transparency requirements for contracts valued at \$500,000 or more as well as new provisions for private sector contributions. *See* s. 288.1226(6) and (13), F.S.

¹⁷ Section 288.005(1), F.S.

¹⁸ Office of Economic and Demographic Research, *Return on Investment for VISIT FLORIDA*, 1 (January 2021), available at <http://edr.state.fl.us/Content/returnoninvestment/Tourism2021.pdf> (last visited Nov. 1, 2021). ROI is calculated by summing state revenues generated by a program less state expenditures invested in the program, and dividing that amount by the state's investment. EDR uses the Statewide Model, a model that simulates Florida's economy and captures the indirect and induced economic activity resulting from direct program effects, to calculate these numbers.

¹⁹ *Id.* at 30-31

²⁰ *Id.* at 24. This label is used to distinguish tourists from those who visited Florida due to other influences, such as visiting family and friends or participating in a specific hobby or pastime.

III. Effect of Proposed Changes:

The bill extends the scheduled repeal date for the Florida Tourism Industry Marketing Corporation, known as VISIT FLORIDA, and the Division of Tourism Marketing within Enterprise Florida, Inc., until October 1, 2031. Without the bill, the statutory authorizations for these entities would be repealed on October 1, 2023.

The bill takes effect upon becoming a law.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The 5-year average of appropriations to VISIT FLORIDA is \$65.4 million.²¹ If VISIT FLORIDA is repealed on October 1, 2023, the dissolved entity's assets, after all legal liabilities and obligations have been paid or adequate provisions have been made, will revert to the state.

²¹ Chapter 2021-036, s. 152, Specific Appropriation 2251, Laws of Fla.; Ch. 2020-111, SA 2294, s. 6, Laws of Fla.; Ch. 2019-115, SA 2328, s. 6, Laws of Fla.; Ch. 2018-9, SA 2239, s. 6, Laws of Fla.; Ch. 2017-233, s. 26, Laws of Fla.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 288.1226 and 288.923.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.