

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 Appropriations Subcommittee on Transportation, Tourism, and Economic Development

BILL: SB 778

INTRODUCER: Senator Hooper

SUBJECT: Florida Tourism Marketing

DATE: March 9, 2021

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Reeve</u>	<u>McKay</u>	<u>CM</u>	Favorable
2.	<u>Hrdlicka</u>	<u>Hrdlicka</u>	<u>ATD</u>	Recommend: Favorable
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 778 authorizes the Florida Tourism Industry Marketing Corporation, also known as, VISIT FLORIDA, to carry forward any unexpended state appropriations into succeeding fiscal years.

The bill also removes the scheduled repeal date of October 1, 2023, for both VISIT FLORIDA and the Division of Tourism Marketing within Enterprise Florida, Inc.

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

¹ Sections 288.901(1) and (2), F.S.

² Section 288.92, F.S.

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 non-profit 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 which 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

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.⁹

³ Section 288.1226, F.S. The fictitious name is registered with the 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 Feb. 28, 2021). 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 Feb. 28, 2021).

⁶ Section 288.923(4)(c), F.S.

⁷ *Supra* note 5, at 12.

⁸ Section 288.1226(4), F.S.

⁹ Sections 288.1226(14) and 288.923(6), F.S.; see ch. 2020-16, Laws of Fla. (extending the repeal date of VISIT FLORIDA and EFI's Division of Tourism Marketing from July 1, 2020, to October 1, 2023, effective April 8, 2020).

Appropriations

For the 2020-2021 fiscal year, VISIT FLORIDA received an appropriation of \$50 million.¹⁰ VISIT FLORIDA receives a recurring appropriation of \$50 million - \$26 million from the State Economic Enhancement and Development Trust Fund (SEED TF) and \$24 million from the Tourism Promotional Trust Fund.

Payments are made directly to VISIT FLORIDA from the DEO. VISIT FLORIDA enters into a funding agreement with EFI and the DEO and an operating agreement with EFI.¹¹

Generally, any funds appropriated to agencies that have not been disbursed and not identified as incurred obligations by June 30 of each year revert back to the fund from which the funds were appropriated;¹² funds for incurred obligations carry over to the next fiscal year and revert back if left undisbursed by September 30.¹³ In Fiscal Years 2015-2016 through 2019-2020, VISIT FLORIDA reverted a total of \$5,535.17 to the Tourism Promotional Trust Fund (\$215.58 in Fiscal Year 2016-2017 and \$5319.58 in Fiscal Year 2018-2019); no funds were reverted from the State Economic Enhancement and Development Trust Fund over the same period.¹⁴

Section 288.9015(2)(e), F.S., authorizes EFI to carry forward any unexpended state appropriations into succeeding fiscal years. Similar specific law does not exist in specific statutes related to VISIT FLORIDA. However, on June 30, 2020, VISIT FLORIDA's Fiscal Year 2019-2020 agreement with the DEO and EFI was amended to authorize VISIT FLORIDA "to carry forward into fiscal year 2021-2021 any balance of unexpended state appropriations for VISIT FLORIDA's direct program costs."¹⁵ According to VISIT FLORIDA's auditor's report, approximately \$13 million of state appropriated funds in Fiscal Year 2019-2020 were unspent because the planned campaign activities from March 2020 to June 2020 had to be cancelled due to COVID-19; the DEO determined that the funds could be carried forward to be spent and recorded in Fiscal Year 2020-2021 for a COVID-19 rebound marketing campaign.¹⁶

¹⁰ Chapter 2020-111, s. 6, Specific Appropriation 2294, Laws of Fla.

¹¹ See *Funding Agreement SB21-003 – Agreement between the Department of Economic Opportunity, Enterprise Florida, Inc., and the Florida Tourism Industry Marketing Corporation*, executed December 18, 2020, available at <https://facts.fldfs.com/Search/ContractDetail.aspx?AgencyId=400000&ContractId=S0161> (last visited Feb. 28, 2021).

¹² Section 216.301(1)(a), F.S.

¹³ Section 216.301(1)(b), F.S. Section 216.011(1)(tt), F.S., defines an "incurred obligation" as a legal obligation for goods or services that have been contracted for or received or incurred by the state and referred to as a payable in the state's financial system.

¹⁴ Transparency Florida, *Reversion History by Agency, Fund and Appropriation Category: Department of Economic Opportunity, Division of Strategic Business Development, Tourism Promotional Trust Fund, Special Categories Grants and Aids – VISIT FLORIDA*, available at <http://www.transparencyflorida.gov/Reports/ReversionHistoryReport.aspx?FY=&RT=RV> (last visited Feb. 28, 2021).

¹⁵ See *Funding Agreement SB20-003 – Amendment One to Grant Agreement between the Department of Economic Opportunity, Enterprise Florida, Inc., and the Florida Tourism Industry Marketing Corporation*, executed June 30, 2020, available at <https://facts.fldfs.com/Search/ContractDetail.aspx?AgencyId=400000&ContractId=S0118&Tab=1> (last visited Feb. 28, 2021).

¹⁶ VISIT FLORIDA, *Financial Statements and Other Financial Information Years ended June 30, 2020 and 2019, Florida Tourism Industry Marketing Corporation, Inc. Management's Discussion and Analysis*, 6 and 9 (September 2020), available at <https://visitflorida.app.box.com/s/dh5ehr6be4am22qzmlsrxkwe0pxqf435> (last visited Feb. 28, 2021).

Economic Development Programs Evaluations

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

OPPAGA Review

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 between 2010 and 2019 Florida was outpacing several other states in tourism growth and had a significant competitive advantage compared to other states with strong tourism industries, such as California, Nevada, New York, and Texas.¹⁷

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 are limited to the actual market value of promotional contributions of partner-supplied benefits or of no partner-supplied airtime or print space.¹⁸

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.¹⁹ On average, VISIT FLORIDA spends 59 percent of its annual budget on media and industry cooperative advertising efforts. Most of the remaining expenditures are comprised of fees and services and salaries and benefits.²⁰ Certain contracts are subject to several reporting and transparency requirements.²¹

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

¹⁷ *Supra* note 5, at 11.

¹⁸ Section 288.1226(6), F.S.

¹⁹ *Supra* note 5, at 14.

²⁰ *Id.*

²¹ Chapter 2017-233, s. 17, Laws of Fla. (creating reporting and transparency requirements for contracts valued at \$500,000 or more as well as new provisions for private sector contributions, effective July 1, 2017). *See* s. 288.1226(6) and (13), F.S.

exemptions, tax refunds, tax credits, and other state incentives.²² 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.²³

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. The ROI was an increase of \$1.12 over the previous analysis in 2018 (reviewing the period of Fiscal Years 2013-2014, 2014-2015, and 2015-2016). The report states that the increase is due, in part, to the continued growth in the number of out-of-state visitors to Florida and the limited increase in state payments to VISIT FLORIDA over the period.²⁴

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.²⁵

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 used the agency's Direct Influencer Study to approximate that, over the review period, the agency was responsible for approximately 9.1 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.²⁶

III. Effect of Proposed Changes:

The bill amends s. 288.1226, F.S., to authorize VISIT FLORIDA to carry forward any unexpended state appropriations into succeeding fiscal years.

The bill also removes the scheduled repeal date for both VISIT FLORIDA and the Division of Tourism Marketing within Enterprise Florida, Inc. Without the bill, the statutory authorizations for these entities expires on October 1, 2023.

The bill takes effect upon becoming a law.

²² Section 288.005(1), F.S.

²³ 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 Feb. 12, 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.

²⁴ *Id.* at 2.

²⁵ *Id.* at 30-31.

²⁶ *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.

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:

Unexpended appropriations carried forward by VISIT FLORIDA will not be available for appropriation by the Legislature. Historically, VISIT FLORIDA has reverted very little and in the last fiscal year due to the unexpected impacts of COVID-19, the DEO determined that VISIT FLORIDA could carry forward funds into the next fiscal year.²⁷

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

²⁷ *Supra* notes 14 and 15.

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.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
