




**Measuring the  
Impact of Tourism in  
Your Community**





# What You Should Learn Today

- What is economic impact?
- Where can you find your local economic impact numbers?
- How should they be used?
- How should they NOT be used?
- How does the VTC estimate economic impact?



# What is Economic Impact?

- Total Traveler Expenditures
- Direct Impacts (employment, payroll, state & local taxes)
- Traveler = 50+ miles from home or paid accommodations



	2004	2005	2006	2007	2008	Percent Change
<b>Population</b>	136,635	137,602	138,237	139,848	143,885	2.9%

	2004	2005	2006	2007	2008	Percent Change
<b>Travel Impacts</b>						
Expenditures	\$ 517,065,297	\$ 556,593,700	\$ 562,888,008	\$ 584,707,953	\$ 645,075,610	10.3%
Payroll	\$ 103,390,409	\$ 104,321,214	\$ 101,977,652	\$ 101,272,442	\$ 111,302,263	9.9%
Employment	5,943	5,940	5,658	5,602	6,023	7.5%
State Tax Receipts	\$ 23,279,192	\$ 23,951,286	\$ 23,646,105	\$ 24,048,488	\$ 25,893,240	7.7%
Local Tax Receipts	\$ 18,084,636	\$ 18,847,890	\$ 18,874,390	\$ 19,515,889	\$ 21,734,934	11.4%
<b>Excise Tax Collections</b>						
Lodging Excise Tax Collected	\$ 6,323,906	\$ 7,183,067	\$ 7,811,884	\$ 7,415,060	\$ 8,506,762	14.7%
Food Service Excise Tax Collected	\$ 9,051,520	\$ 9,598,763	\$ 10,094,267	\$ 10,657,839	\$ 10,972,048	2.9%
Admissions Excise Tax Collected	\$ 0	\$ 0	\$ 1,149,537	\$ 1,058,226	\$ 1,090,067	3.0%
<b>Excise Tax Rates</b>						
Lodging Excise Tax Rate	5.5 %	5.5 %	5.5 %	5.5 %	6.5 %	n/a
Food Service Excise Tax Rate	3.0 %	3.0 %	3.0 %	3.0 %	4.0 %	n/a
Admissions Excise Tax Rate	0.0 %	10.0 %	10.0 %	10.0 %	10.0 %	n/a

**\* Notes**

Lodging Excise Tax Rate -- plus \$1 per night


Admissions Excise Tax Rate -- Not to exceed \$0.50 per person



# How Should Economic Impact Be Used?

- Articulating importance of tourism
- Benchmarking overall performance of the industry





# How Should Economic Impact NOT Be Used?

- NOT Your Return on Investment!
- NOT just leisure travel, destination-specific travel, etc.





# How Economic Impact is Estimated

- Uses Travel Economic Impact Model (TEIM)
- Developed by US Travel Data Center (now TIA)





# Who Uses the TEIM?

- For more than 20 years, the TEIM has been the only model producing comparable estimates for the US and ALL 50 states
- Used in annual *Statistical Abstract of the United States*
- Used by United Nations World Tourism Organization
- Benchmark for numerous other impact models and databases



# TEIM Compared with Other Models

- Richmond Region (2006)
  - \$1.84 billion vs. \$1.70 billion
  - TEIM 8% less
- Virginia Beach (2007)
  - \$0.89 billion vs. \$1.12 billion
  - TEIM 25% more



# Traveler Spending Categories

- Public transportation
- Auto/truck/RV transportation
- Lodging
- Food
- Entertainment / Recreation
- Incidental Purchases



# Summary of Economic Impact Model

Think of it as 18 Different Studies

*Total Incidence \* Average Cost = Economic Impact*

For example:

	<b>30,233,000</b>	hotel/motel room nights
<b>X</b>	<b>\$102.69</b>	average room rate
	<hr/>	
	<b>\$3,146,000,000</b>	

NOTE: Calculation procedures were simplified for illustrative purposes. Actual impacts will vary from those in slides.

# Other Categories Not as Easy

“How do they know how many meals travelers ate in restaurants?”

## 1. *Expenditure Ratio Method*

“I know from the Visitor Profile that the average traveler spent \$46 on lodging and \$31 in restaurants.”

$$\mathbf{\$3.15\ billion * \$31 / \$46 = \$2.1\ billion}$$



NOTE: Calculation procedures were simplified for illustrative purposes. Actual impacts will vary from those in slides.

# Restaurant Example Continued

**“Let’s Double-Check.”**

## ***2. Household Travel Spending Ratio***

“I know that 20% of the time people eat in restaurants, they are traveling.”

The Department of Taxation says \$10.2 billion spent in restaurants in 2008.

$$\mathbf{\$10.2\ billion \times 20\% = \$2.0\ billion}$$



**NOTE:** Calculation procedures were simplified for illustrative purposes. Actual impacts will vary from those in slides.

# Employment and Payroll Estimates

- **Employment**

I know that \$10.2 billion was spent in restaurants and that 253,000 people work in restaurants.

$$***\$2.1 billion \times (253,000 / \$10.2 billion) = 52,000 jobs***$$

- **Payroll**

I also know that those 253,000 workers had a total payroll of \$3.8 billion.

$$***52,000 \times \$3.8 billion / 253,000 = \$781 million in payroll***$$



# State and Local Tax Estimates

**Multiply total sales in each category by applicable tax rates.**

- **State:** Personal and corporate income tax, sales/use tax, gasoline tax
- **Local:** Commercial property tax, local sales/occupancy tax



# Estimating Local Impacts

I know that \$10.2 billion was spent in restaurants in Virginia and that \$300 million was spent in Alexandria.

$$\mathbf{\$2.1\ bil. * \$300\ mil. / \$10.2\ bil. = \$61.7\ mil.}$$



NOTE: Calculation procedures were simplified for illustrative purposes. Actual impacts will vary from those in slides.



# Question 1

*What does someone have to do  
to have their spending counted  
towards economic impact?*



## Question 2

*The Charlottesville CVB invests about \$1,000,000 per year in total tourism promotion. Their economic impact report shows that travel and tourism returned \$6.1 million in local taxes.*

***What is the Charlottesville CVB's Return on Investment?***



## Question 3

*Last year traveler spending increased 2.8% across the commonwealth. In the Heart of Appalachia however, spending increased 5.6%.*

***Can the Heart of Appalachia use this information to claim the region is becoming more important to the Virginia tourism product?***





**Your Turn for  
Questions!**





# **VTC+VCU Partnership**



- ***Standardized Economic Impact and Feasibility Studies***
- ***40 – 60% Savings***
- ***Access to All Studies Done Through the Program***

