

CITY TOURISM IMPACT

THE ECONOMIC IMPACT OF TRAVEL & TOURISM

IN **TRAVIS COUNTY, TEXAS**

2006

Prepared by:



In Partnership with:



PREPARED FOR:



Cynthia Maddox

Director of Communications
Travis County Convention &
Visitors Bureau
301 Congress Ave., Ste. 200,
Travis County, TX 78701

Jeffrey Eslinger

Research Manager
D. K. Shifflet & Associates, Ltd.
Excellence in Travel Intelligence®
+1.703.536.0921

jeslinger@dksa.com

CONTACT:

Christopher Pike

Senior Consultant
Global Insight, Inc
Travel & Tourism
610.490.2658

christopher.pike@globalinsight.com

THE POWER OF PERSPECTIVE

Table of Contents

I. METHODOLOGY OVERVIEW	3
II. EXECUTIVE SUMMARY	4
A. BACKGROUND AND PURPOSE	4
B. KEY FINDINGS.....	5
III. DETAILED RESULTS	7
A. TOTAL SPENDING BY TRAVELERS	7
B. ECONOMIC IMPACT (VALUE ADDED) OF TOURISM	9
C. WAGES SUPPORTED BY TOURISM.....	11
D. EMPLOYMENT SUPPORTED BY TOURISM.....	13
E. FEDERAL, STATE AND LOCAL TAXES PAID.....	15

I. Methodology Overview

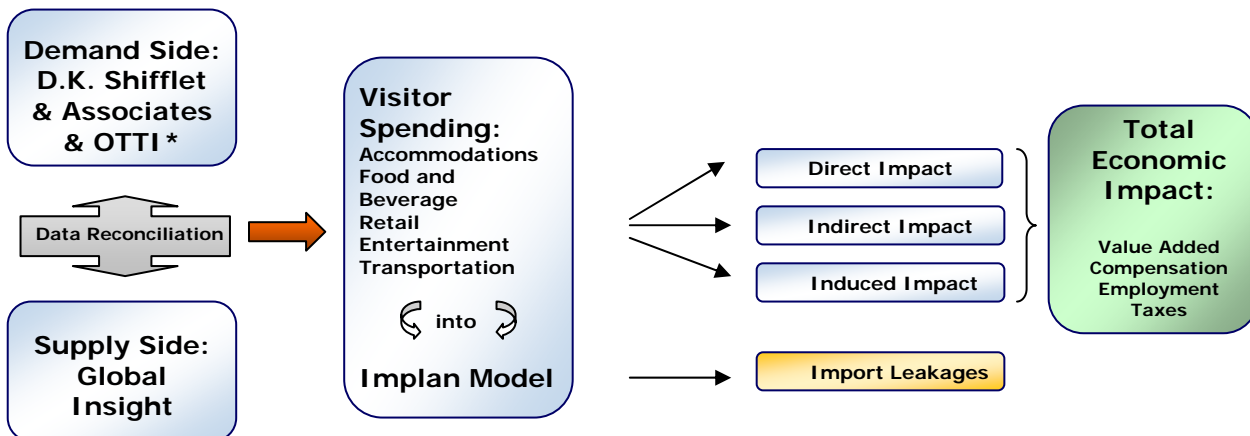
The purpose of this study is to estimate the economic benefits of travel & tourism to Travis County, Texas. Travelers are defined as those who made an overnight trip or traveled in excess of 50 miles for a day-trip. The spending of visitors from international markets has also been included. The total economic impact of travelers is separated into three distinct parts: direct, indirect, and induced. The *direct* impacts represent the value added¹ of those sectors that interact directly with the visitor. The *indirect* impact represents the benefit to suppliers to those direct sectors. This would include, for example, Travis County-based food suppliers to a restaurant. The *induced* impact adds the impact of tourism-generated wages as they are spent in the Travis County economy. The image of the iceberg represents the various impacts of tourism. Those industries that are part of the direct tourism sector represent the impact that is visible, i.e., above the surface of the water. But below the surface, traveler spending generates wages, employment, and taxes in a host of supporting industries. Although these are not seen, they are critical to understanding the full economic impact of tourism in Travis County.



The economic impacts reported in this study are based on traveler spending as reported in D.K. Shifflet & Associates' *PERFORMANCE/Monitor*SM travel survey and Office of Travel and Tourism Industries data on international visitation. Global Insight cross-checked and augmented these data with its own detailed NAICS database on sales and employment by sector. The IMPLAN Input-Output economic impact model for Travis County was used to estimate the direct, indirect, and induced impacts.

Traveler spending exceeds the direct impact. This is because not all goods and services purchased by travelers are supplied by firms located in Travis County. The IMPLAN model accounts for import leakages to suppliers located outside of Travis County.

The economic benefits here apply to the Travis County, Texas. All data for Travis County is based upon predefined geographical boundaries.



*OTTI: Office of Travel and Tourism Industries, U.S. Department of Commerce

¹ Value added of an industry is equal to the sum of wages, taxes, profits, and capital depreciation.

II. Executive Summary

A. Background and Purpose

This study provides a comprehensive and detailed account of the economic and tax impacts generated by visitor spending in Travis County for calendar year 2006.

Global Insight has made several changes, which improve our work on metro area tourism impacts, since the previous City Tourism Impact Report for Travis County. One of the major changes is that spending numbers have been updated to reflect the new metropolitan definitions. The new MSA's are based on 2003 Metropolitan Statistical Area definitions as defined by the U.S. Office of Management and Budget (OMB). While this does not affect the Travis County results, as the study area for the Travis County CTI has not changed, spending results for many MSA's have been changed. This will affect the top 100 rankings.

In addition, we have improved our measurement of international spending. Global Insight has improved the international spending measure to better reflect particular destination's tourist spending characteristics. So, cities where people either stay longer, like Honolulu, or spend more, like New York City, are treated differently than other cities. The new international spending measure contains variables that take spending differences between cities into account.

Global Insight and D.K. Shifflet & Associates' have recalculated 2003 spending numbers to be consistent with the new MSA definitions and with the 2006 spending numbers provided on following page. Metropolitan areas that have received previous studies done by D.K. Shifflet & Associates and Global Insight will be given comparable numbers for their prior years study. However, because of these changes, these numbers will not be comparable to previous CTI reports that have been sent out.

B. Key Findings

Figure II-1

Key Findings: Travis County				
2006	Direct	Indirect	Induced	Total
Total Spending	-	-	-	\$2.80 billion
Economic Impact	\$1.40 billion	\$434 million	\$458 million	\$2.29 billion
Wages	\$1.01 billion	\$259 million	\$304 million	\$1.58 billion
Jobs	46,432	5,805	7,968	60,205
Tax Receipts				\$639 million
2003	Direct	Indirect	Induced	Total
Total Spending	-	-	-	\$2.35 billion
Economic Impact	\$1.13 billion	\$353 million	\$371 million	\$1.85 billion
Wages	\$816 million	\$210 million	\$246 million	\$1.27 billion
Jobs	39,833	5,037	6,879	51,750
Tax Receipts				\$546 million

Source: Global Insight, D.K. Shifflet & Associates

Spending by travelers in Travis County totaled \$2.80 billion in 2006. 14.6 million travelers visited Travis County in 2006

- Tourism spending in Travis County grew from \$2.35 billion in 2003 to \$2.80 billion in 2006. This is a compound annual growth rate of 6.1%.
- Visitation numbers for Travis County showed that 14.6 million travelers visited attractions in the county in 2006.
- Travelers spent \$551 million on lodging, \$711 million at restaurants, \$589 million for entertainment, and \$954 million on a broad range of goods and services including transportation and shopping.
- The economic impact of these expenditures (after import leakages) totaled \$2.29 billion. This includes \$1.40 billion in direct economic impact, \$434 million in indirect economic impact (supplier effect), and \$458 million in induced economic impact (income effect).

Traveler spending supported 60,205 Jobs and \$1.58 billion in wages.

- Traveler spending supported 60,205 jobs in Travis County in 2006. Of these, 46,432 were directly employed by tourism sectors. Tourism generated an additional 5,805 indirect jobs and 7,968 induced jobs.
- Total (including direct, indirect, and induced) tourism-generated employment comprises 14% of all non-governmental jobs in Travis County. This has increased from about 13% in 2003 as tourism employment growth has outpaced that of the overall county.
- \$1.58 billion in wages were generated for these employees. Over the last three years, wages paid to workers connected to tourism grew by over \$300 million.

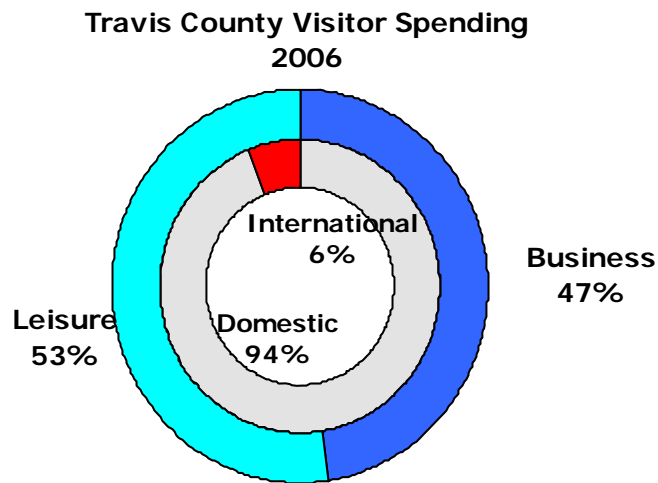
Travelers generated federal, state, and local tax revenue totaling \$639 million in 2006.

- In 2006, spending by travelers in Travis County generated \$319 million in state and local taxes, and \$320 million in federal taxes.
- The local governments of the Travis County region received \$159 million from tourism related taxes in 2006.

Domestic markets represent 94% of total visitor spending in Travis County with international markets comprising the remaining 6%. Leisure travel claimed 53% of tourism spending in 2006 in Travis County with business travel spending the remaining 47%.

- Domestic and international spending totaled \$2.63 billion and \$173 million, respectively, in 2006.
- Leisure and Business spending totaled \$1.48 billion and \$1.33 billion in 2006.

Figure II-2



Source: Global Insight, D.K. Shifflet & Associates

III. Detailed Results

A. Total Spending by Travelers

Travelers spent \$2.80 billion in Travis County in 2006. These expenditures included \$439 million on all transportation, \$551 million on lodging, \$711 million on food and beverages, and \$1.10 billion on shopping and entertainment. Figure III-1 lists the total expenditures by travelers in Travis County in 2006.

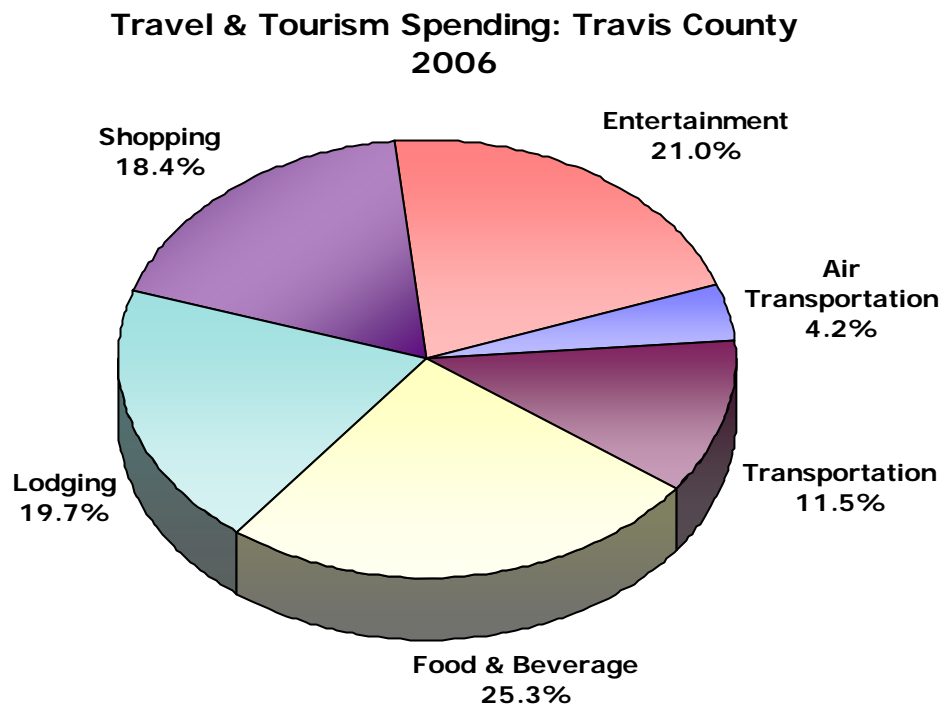
Figure III-1

Expenditure Category	2006 (million \$)
Air Transportation	118.2
Other Transportation	321.2
Lodging	551.2
Food & Beverage	710.6
Shopping	514.9
Entertainment	588.6
Total	2,804.7

Source: Global Insight, D.K. Shifflet & Associates

Tourism spending in Travis County is led by food and beverage spending. This spending, which contains restaurant spending makes up more than 25.3% of all spending. Entertainment/Recreation spending ranked second with 21.0% of the tourism dollar in Travis County. Lodging expenses take up about 19.7 cents of every tourist dollar leaving 18.4 cents spent shopping in 2006. Figure III-2 shows the major spending categories and their percentage of all dollars spent from visitors in Travis County.

Figure III-2



Source: Global Insight, D.K. Shifflet & Associates

B. Economic Impact (Value Added) of Tourism

As shown in Figure III-3, travel & tourism consists of many different standard industries as defined by the North American Industry Classification System (NAICS). A share of the retail, transportation, restaurant, lodging, and entertainment industries directly contributes to the travel sector.

In 2006, Travis County tourism directly generated \$1.40 billion of economic value in sectors “touching” the visitor.

Additional sectors benefited as suppliers to direct tourism industries, with an indirect tourism-generated economic impact of almost \$434 million. The induced impact of tourism reached \$459 million as tourism wages were spent within the Travis County area.

In total, travelers to Travis County generated \$2.29 billion of economic value, up from \$1.85 billion in 2003.

Figure III-3

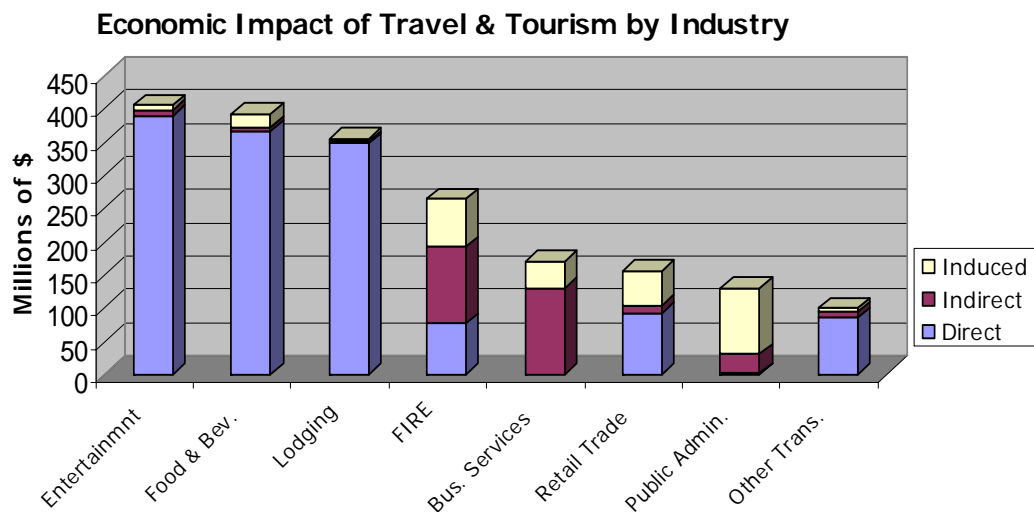
Travis County Travel & Tourism: 2006 Economic Impact (Value Added)				
Industry (NAICS)	Direct (million \$)	Indirect (million \$)	Induced (million \$)	Total (million \$)
Entertainment	390.1	7.9	7.7	405.6
Food & Beverage	365.9	6.3	19.3	391.5
Lodging	347.5	2.4	4.1	354.0
Finance, Insurance & Real Estate	76.3	115.1	72.6	264.0
Prof. & Business Services	0.0	130.1	39.4	169.5
Retail Trade	92.1	11.3	52.8	156.2
Public Administration	1.8	28.6	99.1	129.6
Other Transportation	85.8	8.5	4.9	99.1
Wholesale Trade & Utilities	0.0	44.2	32.3	76.5
Other Services	0.0	33.5	34.1	67.6
Education & Health Services	0.0	0.8	59.9	60.7
Air Transportation	41.7	0.4	1.3	43.4
Information	0.0	21.8	15.5	37.3
Manufacturing	0.0	14.8	14.0	28.7
Construction	0.0	6.1	1.1	7.2
Agriculture, Forestry & Fishing	0.0	1.8	0.4	0.0
Natural Resources & Mining	0.0	0.0	0.0	0.0
Total	1,401.3	433.5	458.5	2,291.1
Total - 2003	1,125.3	352.6	370.7	1,846.8
Annual Growth Rate	7.6%	7.2%	7.3%	7.5%

Source: Global Insight

While the largest economic impacts will be to the core tourism businesses like hotels and restaurants, Figure III-4 illustrates the fact that certain industries not directly involved in travel and tourism see significant economic benefits because of tourism in Travis County. The Professional and Business Services sector (denoted by Bus. Services in the table below) receives \$170 million in indirect and induced impacts from visitor spending. This shows not only the linkages between the tourism industry and the rest of the economy in Travis County but the importance of tourism to business not directly impacted by tourism spending.

Another interesting note, in comparison with the Austin MSA report, is the higher ranking of Entertainment in Travis County. This shows that the concentration of entertainment venues that attract the outside visitor are in Travis County.

Figure III-4



Source: Global Insight

C. Wages Supported by Tourism

Wages and salaries generated by visitors to Travis County are shown in Figure III-5. In 2006, directly paid wages and salaries to tourism sectors reached \$1.01 billion; indirect production generated \$259 million in compensation; and induced wages tallied just short of \$304 million. In total, workers received \$1.58 billion in wages and benefits as a result of Travis County tourism activity.

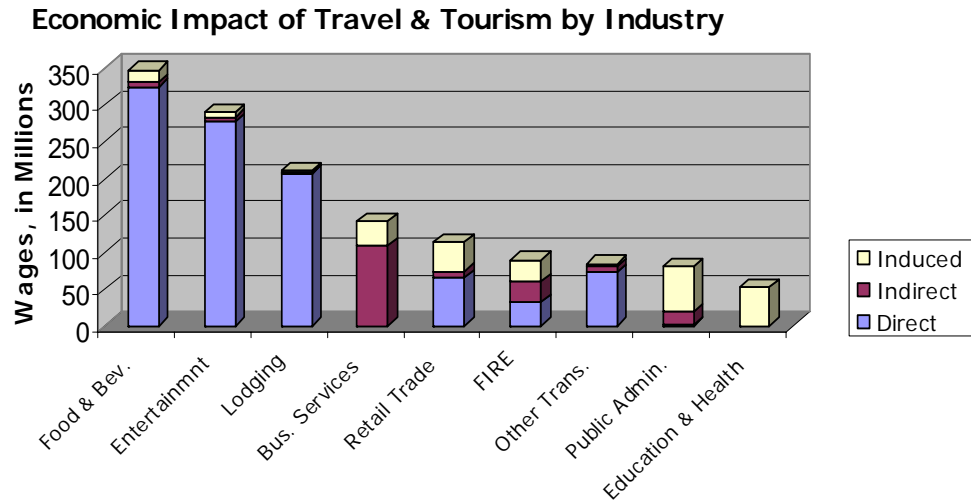
Figure III-5

Travis County Travel & Tourism: 2006 Wages				
Industry (NAICS)	Direct (million \$)	Indirect (million \$)	Induced (million \$)	Total (million \$)
Food & Beverage	324.3	5.6	17.1	347.0
Entertainment	276.6	7.0	5.9	289.5
Lodging	206.7	1.4	2.5	210.6
Prof. & Business Services	0.0	108.7	33.1	141.8
Retail Trade	65.9	8.7	39.8	114.4
Finance, Insurance & Real Estate	31.8	28.2	29.4	89.4
Other Transportation	73.6	7.2	3.9	84.8
Public Administration	1.1	17.7	61.2	79.9
Education & Health Services	0.0	0.6	52.6	53.2
Wholesale Trade & Utilities	0.0	24.7	18.1	42.8
Other Services	0.0	20.1	21.0	41.2
Air Transportation	34.7	0.3	1.1	36.1
Information	0.0	12.0	8.1	20.1
Manufacturing	0.0	9.2	8.4	17.6
Construction	0.0	6.5	1.2	7.8
Natural Resources & Mining	0.0	0.5	0.3	0.9
Agriculture, Forestry & Fishing	0.0	0.5	0.1	0.6
Total	1,014.8	259.0	303.8	1,577.6
Total - 2003	815.7	210.3	246.0	1,272.0
Annual Growth Rate	7.6%	7.2%	7.3%	7.4%

Source: Global Insight

Notice the benefit to the professional services sector, as denoted by 'Bus. Services' in Figure III-6 below. Even though this sector does not benefit directly from tourism spending and has less total employment impact than those same sectors, wages and benefits paid to its employees are higher than in an industry like Retail Trade or the non-Air Transportation sector. The higher compensation numbers in the professional services sector mean \$142 million was paid to Business Service employees in Travis County as a result of tourism spending in Travis County.

Figure III-6



Source: Global Insight

D. Employment Supported by Tourism

Figure III-7 shows the total employment by industry supported by Travis County traveler spending. Tourism directly supported 46,432 full-time and part-time jobs throughout the county in 2006 — primarily in lodging, restaurants, transportation, and entertainment. The indirect impact of travelers’ dollars supports another 5,805 jobs. An additional 7,968 jobs are generated by the spent wages of direct and indirect tourism employees.

Figure III-7

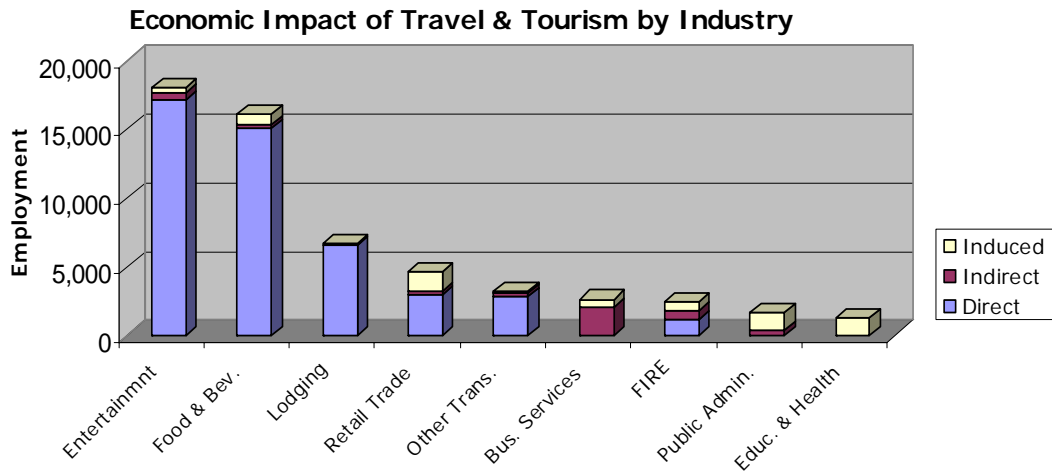
Travis County Travel & Tourism: 2006 Employment					
Industry (NAICS)	Direct	Indirect	Induced	Total	% of Total
Entertainment	17,188	504	381	18,073	30.0%
Food & Beverage	15,043	259	794	16,097	26.7%
Lodging	6,624	45	79	6,748	11.2%
Retail Trade	2,951	298	1,383	4,632	7.7%
Other Transportation	2,835	239	133	3,207	5.3%
Prof. & Business Services	0	2,055	604	2,660	4.4%
Finance, Insurance & Real Estate	1,132	706	655	2,494	4.1%
Public Administration	23	368	1,276	1,667	2.8%
Education & Health Services	0	23	1,295	1,318	2.2%
Other Services	0	471	833	1,304	2.2%
Air Transportation	635	6	20	661	1.1%
Wholesale Trade & Utilities	0	306	224	531	0.9%
Manufacturing	0	172	136	308	0.5%
Information	0	148	105	253	0.4%
Construction	0	129	24	153	0.3%
Agriculture, Forestry & Fishing	0	66	21	87	0.1%
Natural Resources & Mining	0	8	5	14	0.0%
Total	46,432	5,805	7,968	60,205	100.0%
Total - 2003	39,833	5,037	6,879	51,750	100.0%
Annual Growth Rate	5.2%	4.8%	5.0%	5.2%	

Source: Global Insight

Industries directly linked to tourism have the highest percentage of tourism supported jobs. The Entertainment industry generates 30% of all tourism related jobs. The majority of these jobs are direct but almost 900 entertainment jobs exist due to the indirect and induced effects of tourism! The Professional & Business Services industry realizes the highest number of tourism-generated jobs that are not directly related to travelers—2,660, 4.4% of all tourism supported jobs.

As is shown in the following graph, the majority of the employment from visitor spending is highest in industries that directly touch the visitor. This is a bit different from our other graphs, where we saw certain industries not directly involved in the visitor experience benefited more than industries directly related to tourism.

Figure III-8



Source: Global Insight

After seeing how much tourism spending impacts other industries, it is also important to look at tourism employment against other industries in Travis County. Direct tourism employment is the appropriate employment number to use to create for this comparison. Tourism as an industry comprises 10.8% of all 2006 private employment in Travis County. This is a slightly larger percentage than seen at the MSA level and shows the concentration of tourism venues in the Travis County jurisdiction.

E. Federal, State and Local Taxes Paid

The federal government, as well as the state and local governments, derive significant taxes from companies, households, and the travelers themselves. Businesses and households pay income, sales, and excise taxes. Travelers pay tourism-specific taxes along with general sales taxes.

Tourism in Travis County generated \$639 million in federal, state, and local taxes in 2006. Locally, Texas state tax receipts related to Travis County tourism were \$160 million. Local governments in Travis County gained \$159 million in tax receipts from traveler spending in 2006.

Figure III-10 lists 2006 Federal and State and Local taxes.

Figure III-10

Travis County Tourism: 2006 Tax Revenue Generation	
Tax	2006 (\$)
Federal: US	
Corporate Income	25,412,435
Personal Income	126,477,730
Excise & Fees	29,239,533
Social Security & Other Taxes	139,023,781
U.S. Federal Total	320,153,480
State: Texas	
Corporate Income	47,248
Personal Income	0
Social Security & Other Taxes	2,063,999
Hotel Tax	33,473,336
Car Rental Tax	8,867,166
Excise & Fees	8,955,485
Sales Taxes	107,084,789
Texas Total	160,492,024
Local: Travis County	
Corporate Income	0
Hotel Tax	43,037,147
Car Rental Tax	4,433,583
Property Taxes	70,361,045
Excise & Fees	6,489,282
Sales Taxes	34,267,132
Travis County Total	158,588,190
Grand Total	639,233,694

Source: Global Insight

Travis County Household Savings

If tourism did not exist in Travis County, governments in Travis County would need to generate an average of \$900 in State & Local taxes from each of the 354,573 households in Travis County, in order to maintain the current level of tax receipts.