Economic Evaluation of Florida's Beaches
Bulletin 1
2017

FLORIDA SHORE & BEACH PRESERVATION ASSOCIATION

Message

As beach advocates, we readily promote the benefits of beach nourishment, particularly the benefits of healthy beaches to state and local economies.

A series of bulletins are being prepared to highlight what state and local leaders and decision makers need to know about the economics of beach management and the 825 miles of sandy beaches that define the state's unique brand. This first bulletin particularly focuses on the research released in January 2015 by the **Office of Economic and Demographic Research (EDR)**, the Legislature's economic forecasting research team, where they calculated a return on investment using visitor spending data and the state's investment in the beach management program. We hope this paper will arm you with data you can use to support why healthy beaches drive Florida's tourism economy.

Beaches as the State Brand

EDR is principally tasked with forecasting economic and social trends that affect policy making, revenues, and appropriations. The Office was asked by Speaker Weatherford to evaluate the strength of the relationship between Florida's beaches and the attractiveness of beaches as a tourism destination.

Beaches are the #1 feature that attracts tourists to Florida.

EDR's research found that Florida's pristine beaches are the most important feature of Florida's brand and top the list as our Number 1 tourist attraction. Florida's beaches have the strongest effect of attracting tourists over other features such as theme parks.

Healthy, picturesque beaches are critical to maintaining Florida's brand, and if they are not maintained, visitors will travel elsewhere. Because of this, beach nourishment was characterized by EDR as a form of quality control to ensure Florida's most important feature is a quality product when visitors arrive. Public and private advertisers can use a quality product to market Florida's beaches to visitors.

Return on Investment

EDR used several data sources to populate the statewide economic model and calculate a return on investment (ROI) for the state's beach management program, including data from Visit Florida's visitor numbers, economic impacts from the tourism industry, the amount of state expenditures on the beach program, and information from previous studies. EDR determined over 18.6 million came to Florida in 2013 just because of our beaches. EDR also estimated the 18.6 million beach visitors spent over $2 billion, all directly attributable to Florida's beaches!

The results of EDR's ROI of the beach management program found it "generated a positive return on investment of 5.4" based on tangible financial gains to state revenues (i.e., no environmental, social, or future planning benefits were included). The ROI was based on the statewide economic model using three years of state expenditures on beach management and the collection of new state tax revenues attributed to beach restoration.

Florida's beach management program expended $44 million over three years increasing the overall collection of state revenues by $237.9 million. That's an unprecedented return on investment for a natural resource program of 5.4.

Out of the 17 programs EDR evaluated for the state's ROI, the state's investment in beaches remarkably ranked #3 amongst economic development programs.

The number of visitors and state tax revenues continue to grow. In 2015, Florida surpassed 106 million visitors and generated $5.3 billion in tax revenues, compared to 94 million visitors and $4.6 billion in tax revenues two years prior. That's a 12.7% and 15% increase over the 2013 data. Although beach specific tourism spending data for 2015 are not readily available to update the ROI, there is every reason to assume a proportional increase occurred to the number of beach tourists who came to Florida for its pristine beaches and the influx of new spending they spent while here.

Capturing Economic Benefits in Project Selection

Half of Florida's beaches are critically eroded but only half of these eroded beaches are part of the statewide beach program, leaving far too many worthy beach projects unfunded every year. Since passage of Amendment 1, the dedicated, historical (1998) beach management documentary stamp allocation and designated beach management trust fund are no longer in place, and the number of projects funded and amount of funding for beach preservation have declined. It is imperative to examine program procedures to ensure state funds are used to restore beaches in most critical need and that are supported by our local and state decision makers.

Many state and local leaders and beach advocates have recommended revisions to the existing ranking criteria to better capture the return-on-investment and economic benefits relating to tourism and storm damage. Prior to considering enhanced economic criteria within the prioritization process, in 2014 Speaker Weatherford requested that EDR and Office of Policy Program Analysis and Government Accountability examine the beach project ranking criteria and recommend if improvements to the criteria were necessary to meet the objectives voiced by stakeholders. OPPAGA is also a research arm of the Legislature responsible for providing data, evaluative research, and objective analyses to assist legislative budget and policy discussions.

The results from this research noted that although an ROI on a project-by-project basis is not feasible, it is possible to include measures of economic benefit as part of the project ranking process. The following recommendations were offered as potential economic factors to use in the project ranking process:

- the value of property protected as a result of the project;
- the value of tourist development tax revenues as a percentage of all county revenues;
- a measure of each location's attractiveness to visitors can be determined by developing county factors that weight sales tax collections by tourist accommodations; and
- a measure of county employees in tourism-related occupations as a percentage of all employees in the county.

Last year, House Bill 877 and Senate Bill 1566 were filed proposing to revise the project ranking and selection criteria and include recommended economic factors. With a late start, other obstacles totally unrelated to the bill, and some concern that capturing the economic benefits and measures to do so fell short, the legislation addressing project ranking and selection criteria did not pass. We hope the criteria bill will gain momentum this year and be heard during the 2017 Legislative session.

Economic Risk of Disasters

Lastly EDR was asked to assess the impact of disasters and the state's economic risk. By evaluating Florida's responses to the 2004, 2005, 2012 storm seasons and the effects of the BP Oil Spill, EDR determined future costs to the state after experiencing these types of "shocks". EDR estimated the anticipated lost state revenues and storm specific beach restoration appropriations needed to repair impacted beaches for high, medium and low impact disasters. The economic impacts are represented in the table below.

The estimated economic impacts of a <u>high impact storm</u> are:

- \$159.5 billion in property damage, of which \$80.4 billion would be uninsured
- \$79.9 million appropriation needed for beach restoration
- \$56.8 million in tax revenues would be lost from reduced visitor spending

This evaluation is important for our leaders when forecasting the economic impacts of future disasters and, as underscored by EDR, from an economic perspective, **it is important to quickly address severe storm-related damage.**

Estimated Impact of Potential Shocks in Millions of 2014 Dollars			
	High-impact Disaster	**Medium-impact Disaster**	**Low-impact Disaster**
Storm-specific Beach Restoration Appropriation	$79.9 M	$33.9 M	$13.1 M
State Tax Revenue Loss from Reduced Visitor Spending	$56.8 M	$30.0 M	$3.3 M

Presentation to the Senate Appropriations Subcommittee on General Government

Amy Baker, Coordinator of EDR, presented the results from the Office's Report on the Economic Evaluation of Florida's Investment in Beaches, much of which is already highlighted in this bulletin, to the Senate Subcommittee on General Government on November 18, 2015. Ms. Baker reinforced these additional key points to the Legislature during her presentation:

- With a strong ROI of 5.4, the state's investment in beaches is one of the better investments the state is making.
- In lieu of calculating ROIs for each beach project, county-wide measures of local economic value can be brought into the ranking process instead. Measures may include property tax data or the value of property protected as a result of the project.
- Statutory revisions should be considered for project ranking criteria that address beach impacts as a result of a natural disaster.

Summary

This bulletin provides a summary of EDR and OPPAGA's purposeful economic evaluation of the beach management program and beaches as an economic engine for Florida. We hope you can use these talking points with confidence as you promote beach restoration when meeting with community and state decision-makers.

- Beaches are the number 1 feature that attracts tourists to Florida. Visitors will go elsewhere if our beaches are not maintained.
- 18.6 million visitors came to Florida in 2013 just for the beaches and spent $2 billion while they were here.
- For each dollar the State of Florida spent on beach nourishment, $5.4 of state tax revenue was generated. This figure does not account for local revenues generated by tourist development taxes – a major contributor to county revenues.
- Existing beach management project ranking criteria should be re-evaluated to better capture the return-on-investment and economic benefits to tourism and storm damage and ensure the state's priorities rise to the top of the funding list.
- It is important to quickly address severe storm-related damage for many reasons, including curtailing economic losses from tourism and unplanned expenditures by the state.

References*

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* Referenced files were accessible on-line on and before May 24, 2016.