

oppaga Program Review



December 1999

Report No. 99-16

Continue Funding, But Substantiate That Program Activities Increase Florida Tourism

at a glance

The Florida Commission on Tourism met the standards for the outcome measures specified in its contract with the Governor's Office of Tourism, Trade, and Economic Development (OTTED) for Fiscal Year 1998-99. However, these results need to be interpreted with caution because some of the commission's measures reflect Florida's tourism trends rather than the impact of the commission's activities on tourism.

The commission and its direct support organization, VISIT FLORIDA, do not currently have outcome measures that indicate whether their promotional activities increased tourism. A task force composed of VISIT FLORIDA managers recently concluded that the corporation should begin to develop return on investment analyses for major programs and proposed several approaches for developing appropriate measures. As such measures are developed, they should be incorporated into the commission's contract with OTTED.

Funding for the commission and VISIT FLORIDA should be continued for the next fiscal year. However, as a condition for receiving future funds, the entities should be required to present return on investment analyses that substantiate that their tourism promotion activities add value by stimulating

tourism above levels that would have occurred without the activities being performed.

Purpose

State law directs the Office of Program Policy Analysis and Government Accountability (OPPAGA) to review the Florida Commission on Tourism and its direct service organization prior to the 2000 Regular Session of the Legislature. The commission is responsible for making policy decisions on promoting and developing tourism throughout the state.¹ VISIT FLORIDA, the commission's direct support organization, is a public-private partnership that administers the state's domestic and international tourism promotional activities, manages its welcome centers, and conducts research on tourism and travel trends.

In this review, we assessed the Florida Commission on Tourism and VISIT FLORIDA's

- progress toward achieving established outcomes;
- the circumstances contributing to the organization's ability to achieve, not achieve, or exceed its established outcomes; and

¹ The commission, which was created in 1991, presently has 31 members, including the Governor as chair, a member of the House of Representatives, and a member of the Senate.

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- whether it would be sound public policy to continue or discontinue funding the organization, and the consequences of discontinuing the organization.

Background

Tourism is Florida's largest industry. In 1998, 818,700 Florida citizens were employed by tourism-related businesses. Tourism also generates a significant amount of the tax revenue used to support state programs. Travelers visiting Florida spent an estimated \$45 billion in Fiscal Year 1998-99, yielding \$2.6 billion in tax revenue.

The Florida Commission on Tourism contracts with the Florida Tourism Industry Marketing Corporation, which operates under the name VISIT FLORIDA, to carry out tourism promotion programs and activities identified in the commission's four-year marketing plan.²

VISIT FLORIDA's primary responsibilities include administering domestic and international advertising campaigns designed to promote the entire state as a tourism destination; conducting domestic and international promotional activities; managing the state's welcome centers, and conducting research on tourism and travel trends.

VISIT FLORIDA is also responsible for increasing private sector financial support of Florida tourism marketing activities and must match state funding dollar for dollar by the end of its fourth year of existence. To accomplish this goal, the corporation has developed various approaches, such as establishing a partner development program and entering into strategic alliances with private companies. The partner development program encourages tourism industry members to pay annual

membership fees to VISIT FLORIDA in exchange for preference in advertising and promotional opportunities. Strategic alliances offer advertising opportunities to private businesses.³

The Office of Tourism, Trade, and Economic Development (OTTED) within the Executive Office of the Governor contracts with the commission to perform tourism-related activities. OTTED is responsible for monitoring the commission and VISIT FLORIDA's performance in achieving outcomes and objectives specified in their contracts. OTTED's contract with the commission states that it will require the commission to provide detailed explanations for failure to attain the contracted performance standards. If OTTED is not satisfied with the commission's explanations, it can reduce the commission's quarterly funding by 1%.

Resources

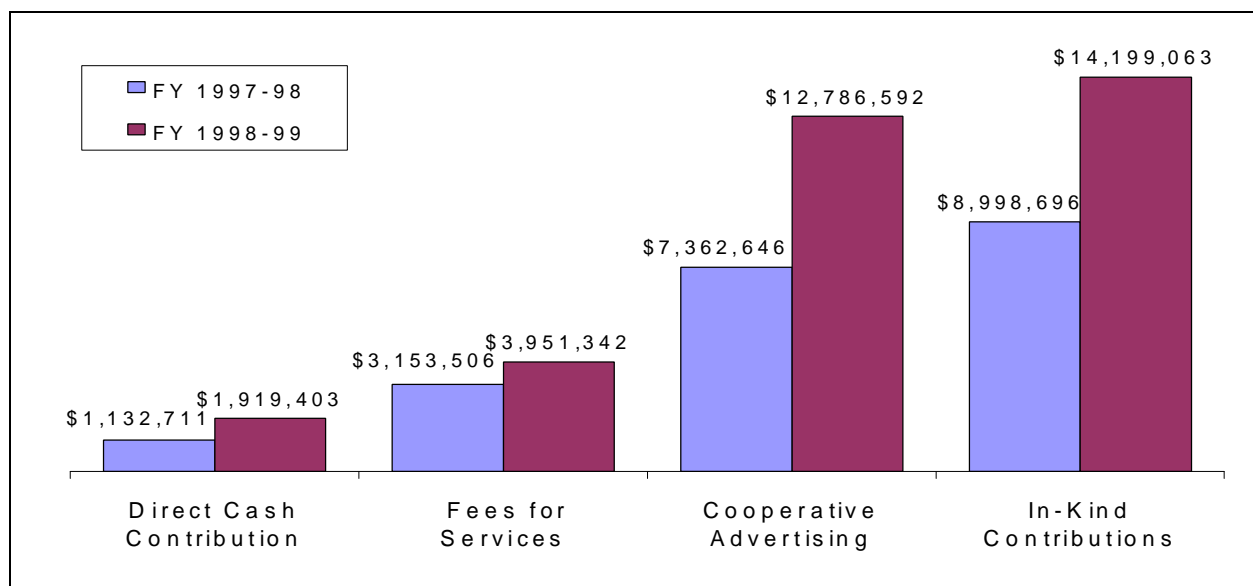
State tourism promotion activities are funded by both the state and private sector businesses. For Fiscal Years 1998-99 and 1999-2000, the Legislature appropriated \$22 million for these activities from the Tourism Promotion Trust Fund. The trust fund receives 15.75% of the proceeds from a \$2 per day rental car surcharge. No general revenue is used to fund the program. In Fiscal Year 1998-99, VISIT FLORIDA's private sector business partners' contributions totaled \$32,856,400 including \$1,919,403 in cash, \$3,951,342 in fees for services, and \$26,986,655 in other types of contributions. Exhibit 1 shows the private sector contributions for Fiscal Years 1997-98 and 1998-99.

² The Florida Tourism Industry Marketing Corporation (Visit Florida), was created by the Legislature in 1996. The corporation is a not-for-profit corporation. It replaced the Department of Commerce's Division of Tourism, which was abolished by the Legislature in 1996.

³ Strategic marketing alliances allow certain partners to cooperatively market VISIT FLORIDA's corporate name and logo.

Exhibit 1

Private Sector Contributions of All Types to VISIT FLORIDA Have Increased



Source: VISIT FLORIDA.

During Fiscal Year 1998-99, VISIT FLORIDA had operating expenditures that totaled \$37,767,662. On June 30, 1999, VISIT FLORIDA had 87 full-time equivalent positions, of which 76 were assigned to its Tallahassee headquarters. It also maintained four domestic offices in Chicago, Dallas, New York City, and the District of Columbia and six international offices located in Brazil, Canada, Germany, Japan, the United Kingdom, and Coral Gables, Florida.⁴

Findings

The commission met standards for its outcome measures, but needs to demonstrate that its promotional activities increase tourism.

The commission met the standards for the outcome measures specified in its contract with OTTED for Fiscal Year 1998-99. (See

Appendix A.) However, these results need to be interpreted with caution. Some of the major outcome measures specified in the commission's contract are high-level indicators of Florida's tourism trends and the impact of tourism on state tax revenues. The measures do not indicate the extent to which the commission's activities increased tourism.

The results are also significantly affected by a variety of factors outside the commission's control, such as forest fires, weather, economic conditions in the United States and foreign countries, and advertising efforts by local tourism boards and private tourist industry organizations. OTTED's contract with the commission does not specify how performance results should be adjusted taking into account factors such as weather and economic conditions. Since all parties agreed to the performance standards and the commission will be held accountable for meeting them, the contract should specify how adjustments should be made.

Further, the contract also does not include measures that could be used to directly

⁴ The corporation contracts with a management firm to provide services in Brazil and Canada. In all other locations, corporation employees are responsible for advertising and promotional activities. Although located in the United States, the Coral Gables office is responsible for tourism promotion activities in Central and South America, except in Brazil.

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assess whether the commission's activities stimulated tourism above levels that would have occurred without the activities being performed or the activities' return on investment. Tourism programs in other states such as California, South Carolina, Illinois, and Texas conduct studies to assess the extent to which their programs' increase tourism and provide a positive return on investment.

VISIT FLORIDA is in the process of taking action to develop measures to assess return on investment. A task force composed of VISIT FLORIDA managers recently concluded that the corporation should begin to develop return on investment analyses for major programs and proposed several approaches for developing appropriate measures.

As such measures are developed, they should be incorporated into the commission's contract with OTTED. OTTED should require the commission to demonstrate that its activities stimulate tourism above levels that would have occurred without the activities being performed and the rate of return these activities are providing on the state's investment.

Private sector financial contributions increased.

Private sector financial contributions increased in Fiscal Year 1998-99 to \$32.8 million compared to a standard of \$1.6 million. These results appear to be primarily due to two factors.

- **Actual increases in cash contributions.** VISIT FLORIDA reported receiving \$1,919,403 in cash contributions in Fiscal Year 1998-99 compared to \$1,132,711 in Fiscal Year 1997-98.
- **Changes in the definition of a private sector contribution.** In December 1998, OTTED directed VISIT FLORIDA to include as private sector contributions direct cash contributions, fees for services, cooperative advertising, and in-kind contributions. Previously, VISIT

FLORIDA included only cash as private sector contributions. The definition of private sector contribution was also changed by the 1999 Legislature in Ch. 99-251, Laws of Florida, which authorized VISIT FLORIDA to count as contributions in-kind services, fees for services, and cooperative advertising in addition to direct cash.

Funding for the commission and VISIT FLORIDA should be continued for the next fiscal year.

We concluded that state funding should be continued for the next fiscal year based on the considerations discussed below.

- Since VISIT FLORIDA began operating in 1996, the amount of financial support provided by the state's tourism-related businesses has increased. In 1996, VISIT FLORIDA implemented a "partnership" program that offers tourism-related businesses such as hotels and attractions an opportunity to advertise in VISIT FLORIDA's promotional publications at reduced costs in exchange for an annual fee. The fees paid by these businesses increased from \$1,131,500 in Fiscal Year 1997-98 to \$1,619,748 or 43% in Fiscal Year 1998-99.
- Stakeholders indicate VISIT FLORIDA provides a forum to promote tourism at a statewide level. It serves a unique role since it markets all of Florida rather than any particular area or attraction. VISIT FLORIDA's managers indicated that they believed eliminating this forum would put Florida at a competitive disadvantage with other states. All other states operate tourism promotion programs to attract visitors. States compete for visitors much like businesses offering similar products compete to increase market share.
- VISIT FLORIDA is implementing efforts to help promote cultural activities and state locations that are not highly promoted by other entities. For example, VISIT FLORIDA is

administering a grant program to aid local governments in inventorying their ecological and cultural resources. Local governments will be able to use these inventories in promoting ecological- and cultural-related tourist destinations in their areas. As of June 30, 1999, 10 of Florida's 33 rural counties had completed their inventories. VISIT FLORIDA also provides technical assistance to rural counties in developing marketing and promotional efforts.

- VISIT FLORIDA provides a means for small lodgings, attractions, and local chambers of commerce to advertise their businesses and areas. These entities are able to advertise throughout the United States and foreign countries through VISIT FLORIDA's publications, such as statewide vacation guides, and through its Internet site. The majority of participants in VISIT FLORIDA's partnership program are small businesses.

The effect of discontinuing the commission and VISIT FLORIDA cannot be determined until better methods and performance measures are developed for assessing whether their promotion programs and activities increase tourism.

Consequently, we concluded that the Legislature should fund the Commission on Tourism and VISIT FLORIDA for the next fiscal year.

Recommendations —

We recommend that the commission and VISIT FLORIDA complete their efforts to develop measures and standards that more directly assess whether their tourism promotion activities are adding value in attracting visitors and the rate of return these activities are providing on the state's investment. As appropriate, valid measures are developed, they should be incorporated into the commission's contract with OTTED.

Further, if the contract continues to include high-level measures of the overall growth of tourism in Florida and the impact of tourism on state tax revenues, we recommend that the contract be amended to describe how standards should be adjusted for factors such as weather and economic conditions in determining performance results.

We also recommend the Legislature fund the commission and VISIT FLORIDA for the next fiscal year. However, as a condition for receiving future funds, the entities should be required to present return on investment analyses that substantiate that their major tourism promotion activities add value by stimulating tourism above levels that would have occurred without the activities being performed.

Appendix A

VISIT FLORIDA Met Its Contracted Performance Standards for Fiscal Year 1998-99 ¹

Outcome Measures	Fiscal Year 1998-99	
	Performance ²	Standards
Growth in out-of-state visitors	2.4%	1.2%
Growth in in-state visitors	5.2%	2.0%
Growth in rental car surcharge	4.2%	3.0%
Growth in tourist related employment	2.4%	1.0%
Growth in taxable sales	6.8%	3.0%
Growth in local option tourist tax	10.3%	4.0%
Growth in private sector contributions	\$32,856,400 ³	Increase by \$1.6 Million

¹ Standards are from the Florida Commission on Tourism's contract with the Office of Tourism, Trade and Economic Development.

² Fiscal Year 1998-99 performance results are estimates as of October 1999 provided by VISIT FLORIDA.

³ Fiscal Year 1998-99 performance is primarily due to statutory and policy changes modifying the definition of private sector contribution.

Source: Compiled by the Office of Program Policy Analysis and Government Accountability from information provided by VISIT FLORIDA.

Response from VISIT FLORIDA

December 6, 1999

Mr. John W. Turcotte, Director
OPPAGA
111 West Madison Street, Room 312
Tallahassee, FL 32399-1475

Dear Mr. Turcotte:

This letter is in response to the preliminary findings and recommendations of your program review titled "Continue Tourism Funding Contingent on Demonstration Cost-Effectiveness."

The OPPAGA program review finds that the Commission:

- Met the standards established by the Legislature and by contract,
- Increased all categories of private sector financial contributions, and
- Should continue to be funded by the Legislature.

We agree with these findings and believe they confirm that we have been successful in responding to our Legislative mandate.

OPPAGA recommends that the Commission:

- Develop more direct measures to assess our impact on tourism,
- Provide contractual adjustments for external economic factors, and
- Present return on investment analyses for major activities.

We substantially agree with these recommendations.

The review shows that the support we have generated from private industry exceeds our state appropriation. We believe that this is one meaningful measure of our impact and the return on the state's investment.

The review also shows that we have been developing additional measures to show impact and return on investment for our major programs. The absence of industry-accepted standards makes this a difficult task. However, we will continue this effort and appreciate the insight and assistance we have received from OPPAGA in this regard.

The Commission has worked diligently since its inception, in cooperation with the Legislature, OTTED and OPPAGA, to develop, perfect, and attain meaningful and workable accountability measures. As the Commission nears its fourth year of existence, we fully embrace the continuing challenge of promoting Florida as a prime tourism destination and of doing so by the most watchful and effective use of public and private funds.

Sincerely,

\sAustin L. Mott, III
Executive Director
Florida Commission on Tourism

Response from the Governor's Office of Tourism, Trade, and Economic Development

December 10, 1999

Mr. John W. Turcotte
Director
Office of Program Policy Analysis
and Government Accountability
111 West Madison Street, Suite 312
Claude Pepper Building
Tallahassee, Florida 32399-1475

Dear Mr. Turcotte:

Thank you for providing the Governor's Office of Tourism, Trade, and Economic Development (OTTED) the opportunity to examine the OPPAGA program analysis entitled "Continue Tourism Funding, But the Program Needs to Substantiate Its Activities Increase Tourism." We have carefully reviewed the draft Report and, as requested, are providing a response to your findings.

Finding: The Commission met standards for its outcome measures, but needs to demonstrate that its promotion activities increase tourism.

As stated in the Report, the Florida Commission on Tourism and VISIT FLORIDA continue to receive positive support from the state's tourism industry regarding their programs and activities. This organization serves a unique, and we believe necessary, role to promote the entire state of Florida as opposed to an individual area, attraction, or niche market. One of the most generally accepted ways to measure the effectiveness of an activity is to survey the activity's clients, and thus, OTTED is currently conducting a survey of VISIT FLORIDA clients. We feel the results of this survey will provide a clearer picture of the effectiveness of VISIT FLORIDA's programs and activities from the client's perspective.

We fully understand OPPAGA's concern that the Commission and VISIT FLORIDA demonstrate the direct benefit of their programs and activities. At the same time, we are concerned that without proper research, instruments that do not provide accurate and useful information may be thrust into place simply to quickly meet a desire for quantifiable documentation. As noted in the draft report, VISIT FLORIDA is in the process of taking action to develop measures to assess return on investment. OTTED will work with OPPAGA, the Commission, and VISIT FLORIDA to research and develop a methodology that will accurately assess the impact of the state's tourist promotion programs and their cost effectiveness.

In regards to specifying payment adjustments based on non-performance, the current contract with OTTED identifies reasons for failure to meet performance standards. These include, "but are not limited to, uncontrollable circumstances, unfavorable external economic conditions, quarterly variations, establishment of new processes, and allocation of resources to meet priority demands, as determined by OTTED." The "Sanctions" section of the contract also addresses the failure to meet the standards and remedies. These include reasons for non-performance and remedies such as consultation with legislative and OPPAGA staff to develop a plan to action. Although a regression analysis may serve to identify the effect of a declining economy, factoring negative elements such as crime, hurricanes, and fires may prove more difficult. OTTED will work with the Commission and VISIT FLORIDA to determine the usefulness of developing of a fixed payment adjustment scale as compared to a more flexible approach that includes formulatic elements, as well as qualitative input and observation.

Finding: Funding for the Commission and VISIT FLORIDA should be continued for the next fiscal year.

We concur that funding for the Commission should be continued and we will work with OPPAGA, the Commission, and VISIT FLORIDA on the Report's recommendations.

We are concerned, however, that the title creates a negative tone that does not accurately reflect the body of the Report. A more accurate title might be, "Continue Tourism Funding, and Improve Ability to Demonstrate Cost-Effectiveness." As the title and summary serve to build a first impression and, in many cases, are the only portions of the Report that will be read, we encourage you to revise the statement to more closely reflect the entire report.

Once again, thank you for allowing for OTTED to provide input on your draft Report. I hope our comments are useful in preparing the final report. If you have any questions and/ or concerns, please do not hesitate to contact either Katherine Morrison or myself on (850) 487-2568.

Sincerely,

\sJ. Antonio Villamil

Director, Office of Tourism, Trade, and Economic Development

OPPAGA provides objective, independent, professional analyses of state policies and services to assist the Florida Legislature in decision making, to ensure government accountability, and to recommend the best use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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