Why Travel Matters

California’s travel industry has consistently returned remarkable results for the state’s economy. In 2019, more than 1.2 million California workers earned their livelihoods at travel businesses, and visitor spending injected $145 billion directly into the state, generating $12.3 billion in state and local tax revenues (Source: Dean Runyan Associates). International travelers spent $28.1 billion in California last year, making travel the state’s largest export—eclipsing even agriculture.

Coronavirus Implications on Workers

California’s tourism economy is one of the largest and most robust economic sectors in the state. This global pandemic is having a long-term, devastating impact on working families. The travel and tourism industry will be impacted more than any other industry.

By the end of May, 613,000 tourism jobs will disappear, but that is not all. Far beyond the direct impacts are the indirect and induced impacts. Tens of thousands of small businesses, including florists, farmers, ranchers, fishermen, bakers, brewers, winemakers, coffee roasters, print shops, launderers, cleaning services, technology providers, and a host of other producers and service providers all rely on the tourism industry for their livelihoods.

For every tourism job lost, a ripple effect occurs in the ecosystem that supports the travel industry. Every three travel industry jobs support another two California jobs. (Source: Dean Runyan Associates) It is estimated that it will take California at least 18 months to return to 2019 employment levels once recovery begins (Source: UCLA Anderson Forecast) and that the state’s budget will take years to recover.

More than half of California’s 1.2 million travel industry workers will be unemployed by the end of May.

Unemployment benefits for these workers will cost the state $836 million every month.

Sources: Oxford Economics, California Employment Development Department

Coronavirus Implications on Communities

Thousands of businesses are reeling, and one of the state’s most vital tax sources has dried up. Independent research firm Oxford Economics estimates California will lose $72.8 billion in visitor spending this year alone. State and local governments will lose $6.1 billion in tax revenues that fund vital local services like police, fire and public health and safety.

The travel industry is an economic engine at the heart of California. Every dollar spent by a traveler powers our state’s local communities many times over. The Transient Occupancy Tax (TOT) paid by hotel guests directly powers local communities across California — 46 cities rely on TOT revenue to cover at least 30% of their overall general fund expenditures. (Source: California State Controller) Cities anticipate an immediate impact to their core revenue sources due to COVID-19, with an 89% decline in TOT in 2020. (Source: League of California Cities)

Calling All Californians

$45 million one-time appropriation to get hard-working Californians safely back to work
Coronavirus Implications on Visit California

Visit California is a nonprofit 501(c)6 organization that serves a key economic development role for California. Since its inception in 1997, Visit California has become the number one state Destination Management Organization and has produced consistently remarkable results for the state. Last year, Visit California’s programs delivered $14.8 billion of revenue to the state’s economy. Visit California has a proven track record for spending money wisely – more than 90% of the budget goes directly to marketing and reserves, with less than 10% going to operations.

Visit California is funded by private businesses through a self-imposed assessment, which means the closure of the state’s tourism industry has effectively reduced Visit California’s revenue to zero. Weekly collections year-over-year are down 90% or more across all industry segments, with the anticipation of collecting little to no revenue for the remainder of this fiscal year and into the first quarter of next fiscal year.

These severe shortfalls have forced Visit California to cancel all existing marketing programs and close all 14 international offices, in addition to reducing staff by more than 50%.

A decade of progress is being erased — without help, California’s tourism economy will return to 2009 levels of tax revenue and jobs. This lost decade ensures the economic fallout from the coronavirus pandemic is already at least nine times worse than the Sept. 11, 2001 attacks.

Jump-Start the Recovery

Working in coordination with Public Health officials, Visit California is preparing plans for programs to drive visitor spending and get California back to work quickly. Tourism has shown to be one of the fastest industries to recover in the aftermath of a crisis. This was proved after 9/11, when Visit California’s efforts helped ensure Californians quickly exercised their desire to travel, close to home and within California.

California’s unparalleled geography, large population, and abundance of activities are the ideal components for a marketing campaign focused on California residents and nearby drive markets beginning as soon as it is safe for people to travel. Many people are canceling and rebooking previous trips. The goal will be to motivate them to choose California first and quickly, when the time is right, to get us on the fastest, most efficient way to jump-start California’s economy.

The $45 million one-time appropriation is being leveraged in a multilayer, collaborative effort with these core California media and travel partners:

- **Media:** Visit California has started negotiations with in-state media partners. Early conversations indicate media partnerships would add an additional $15.5 million bonus advertising on top of what Visit California would spend, as well as numerous opportunities of equal advertising value through their various content channels.

- **Industry:** Visit California’s industry partners have committed $2 million of in-kind support with creative assets, photography, and video images to localize the campaign.

- **Audience:** Visit California and its industry partners have developed robust audiences of millions of people on their social media channels and websites. This campaign will leverage this audience and its user-generated content.

- **Visit California:** Visit California and its 21,000-plus private investors have invested more than $500 million over the past five years to help establish California as the number one travel destination.
destination in the country. That investment has created best-in-class capabilities to develop and deploy campaigns that deliver proven results. Visit California is planning to invest its remaining $18 million now through December to maximize the impact of the one-time $45 million stimulus.

This level of campaign, paired with compelling creative, would deliver $10.3 billion in revenue to California businesses and $865 million in additional state and local tax revenue. *(Source: SMARI Marketing Insights)*

**Precedent: 9/11**

In the aftermath of the September 11, 2001 attacks, the travel industry was severely impacted. Air travel plummeted. Conventions were canceled. Hotel occupancy declined. And travelers were wary to take trips too far away from home.

Then-Governor Gray Davis recognized an opportunity to jump-start California’s economic recovery by supporting the travel industry. A one-time $8.3 million allocation to Visit California fueled a multi-tiered, in-state/drive market campaign designed to get Californians to rediscover their great state. With the one-time seed money, Visit California partnered with media companies to create a comprehensive $20 million campaign. ($34 million adjusted for inflation and the rising cost of media.)

The in-state campaign was the right strategic decision, and California residents came to the rescue: in-state travel jumped 10% in 2001/2002. *(Source: D.K. Shifflet & Associates)*

The campaign drove an incremental $3.2 billion of visitor spending and generated $10.6 million in direct state tax revenue that more than repaid the state’s one-time investment. For every $1 invested, visitors returned $304 in spending at California businesses. Despite the tragedy and the ensuing economic downturn, California was one of only three states to grow its market share in 2001. *(Source: D.K. Shifflet & Associates)*

**A Crisis Across the State**

**San Francisco**
Hotel occupancy has declined 78% from a year ago, to below 17%. The city’s Transient Occupancy Tax collections have plummeted, cutting funding to roads, police, fire, and other essential services. The city’s controller recently estimated the crisis will push the city between $1.1 and $1.7 billion into the red over the next two years.

**Yosemite**
Tourism accounts for more than half of Mariposa County’s workforce, and Transient Occupancy Tax collections covered nearly a quarter of the county budget in 2018. With the park closed and surrounding hotels emptied, public safety and other local services will face drastic cuts.

**Los Angeles**
Occupancy in Los Angeles County has declined 74% from one year ago to just 21%. Last year, Los Angeles collected $226 million in Transient Occupancy Tax. Those collections will mirror the drop in occupancy and will cost Los Angeles well over $110 million this year.

**Sonoma**
The City of Sonoma’s Transient Occupancy Tax collections are enough to cover all Public Works projects and the Planning and Building departments combined. This crisis will create a multimillion-dollar deficit that will force the city to cut vital local services.

**Anaheim**
After paying full wages though April 18, Disney furloughed 100,000 people worldwide, including thousands at its flagship theme park in Anaheim. Approximately 30% of hotels in Anaheim are closed indefinitely.