

# Tourism

## Tourism Continues to Bolster California Economy

### Summary

### Background

California's multibillion-dollar travel industry is a vital part of the economy at the state and local levels. More than 263 million people traveled in California in 2015, reinforcing the tourism industry as one of the state's economic success stories, contributing significantly to both the national and state economy. The industry is represented primarily by retail and service firms, including lodging establishments, restaurants, retail stores, gasoline service stations, and other types of businesses that sell their products and services to travelers. The money that visitors spend on various goods and services while in California produces business receipts at these firms, which in turn employ California residents and pay their wages and salaries.

State and local government units benefit from travel as well. The state government collects taxes on the gross receipts of businesses operating in the state, as well as sales-and-use taxes levied on the sale of goods and services to travelers. Local governments also collect sales-and-use taxes generated from traveler purchases and property taxes paid by travel-related businesses.

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"Travel is a \$122.5 billion industry in California, directly supporting more than 1 million jobs and generating \$41 billion in earnings every year for Californians. Every day, travelers in California spend hundreds of millions of dollars, boosting local businesses and adding \$9.9 billion to state and local tax coffers. Tourism is a pillar of California's economy in every region and county of the state, from urban centers to rural communities."

—Caroline Beteta, President and CEO, Visit California

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### Impact of Tourism on State Economy

California has the nation's largest tourism industry with more than 80 tourism business districts. The following statistics reported by the California Travel and Tourism Commission demonstrate the significant impact of tourism on the state's economy. This data represents activity in 2015 (most recent data available):

- Travel spending in California was \$122.5

billion—an increase of 3.4% over the previous year, with earnings of \$41.3 billion. That spending directly supported more than a million jobs.

- Travel spending in 2015 generated \$4.6 billion in local taxes and \$5.3 billion in state taxes. Travel-generated state and local tax revenue represent 9.1% of all California state revenue, according to the Governor's budget for 2015–2016.

- Hotel room occupancy rates were near 75% in 2015; a 2.8% increase in demand and high occupancy drove revenue per room growth to 7.6%.

- California had 17 million international visitors in 2015 who spent approximately \$18 billion. California's top markets in 2015 were Mexico (7.8 million visitors), Canada (1.6 million), China (1,162,000), United Kingdom (705,000), Australia (610,000), Japan (537,000), followed by France, South Korea, Germany, India and Brazil.

- The forecast for 2016 is an increase of 2.2% in total visits; domestic travel is forecast to increase 2.1% and international travel to increase 2.8%.

- Total visitor spending is expected to increase 3.7% during 2016.

- From 2006 to 2015, new building and renovation projects related to tourism averaged \$2 billion per year.

### Self-Assessment to Promote California

#### *Visit California*

The state Legislature adopted AB 2592 in 2006 to allow the tourism industry to voluntarily assess itself in order to fund a statewide marketing effort through Visit California. The mission of Visit California is to

# Expanding Opportunity An Agenda for All Californians

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maintain California's market share of national and international travel in an increasingly competitive global tourism environment. With the increased "Dream Big" budget adopted in 2014, the Visit California budget nearly doubled in 2015 to more than \$100 million. The increased budget is projected to more than double the return on investment for California's tourism industry, up to \$12.9 billion. Increased marketing of California to national and international travelers is expected to bring new opportunities and steady growth to the industry.

#### ***Tourism Improvement Districts***

For more than 20 years, California lodging and tourism business owners have created tourism improvement districts (TIDs) to drive local tourism marketing efforts. These districts levy an assessment on lodging businesses to fund marketing services which generate room night sales. TIDs provide stable, dedicated funding for tourism promotion without new taxes or discretionary government spending. There are 96 TIDs covering 127 cities and counties in California raising over \$200 million annually for destination promotion. It is estimated that TIDs are responsible for creating \$6.4 billion in business sales, contributing \$215 million in state and \$248 million in local taxes, and creating 32,000 direct tourism-related jobs and a total of 52,000 jobs including indirect (Source: *Tourism Economics*, June 2016).

In November 2010, California voters approved Proposition 26, "The Right to Vote on Taxes Act" (Article XIII C of the California Constitution). Proposition 26 stated that every levy by a local government is a tax unless it fits into one of seven exceptions defined in the proposition. A dedicated local levy that does not qualify for one of the exceptions is defined as a special tax and must be approved by two-thirds of the voters.

Ongoing litigation against the San Diego TID claims that TID assessments are a "special tax." The lawsuits allege that the current statutory process for TID formation violates the two-thirds voter approval required by Proposition 26. Should the courts side with the plaintiff in this suit, California TIDs could be eliminated. Given the significant funding support of the TIDs for local tourism marketing, the elimination of this funding mechanism could have a devastating impact on local economies supported by tourism.

#### **CalChamber Position**

California annually generates billions of dollars in direct travel spending into the economy and directly supports hundreds of thousands of jobs in the state. In support of the state and national economy, the California Chamber of Commerce promotes policies that increase and protect travel and tourism within and to the state to continue to stimulate the economy and provide jobs to Californians.

- Support policies to ensure that the importance of the tourism industry to California's economy is understood by legislators and regulators.
- Advocate for legislation that supports California's position as a tourism leader and oppose legislation that harms the state's ability to compete on a level playing field.
- Support continued funding for Visit California through voluntary self-assessment (AB 2592 – 2006) and continue to work with Visit California to ensure the enhanced promotion of California's travel and tourism industry in order to remain competitive in the tourism market.
- Oppose new entertainment tax proposals and travel-related services taxes that threaten tourism in the state.
- Support tax policy that encourages travel to the state for business and pleasure.
- Recognizing the importance of a balance between security and commerce, the CalChamber will support policies of homeland security that do not adversely impact international travel to the state. The CalChamber will advocate its position to the federal government as appropriate.
- Support expansion of the federal visa waiver program. This program, which includes enhanced security information sharing between the United States and visa waiver countries, is critical to increasing foreign travel to the United States.

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