Tourism in California

Recovering from COVID-19: Are We There Yet?

Historically, California's multibillion-dollar travel industry has been a vital and growing part of California's economy. Tourism-related spending supports a wide swath of California businesses, including lodging establishments, attractions, restaurants, retail stores, gas stations, and a host of other businesses that sell their products and services to travelers. In addition, the tourism industry employs more than a million Californians, including thousands in entry-level jobs that provide many Californians with their first step on the economic ladder.

RECOVERING FROM COVID-19 (OR 'ARE WE THERE YET?')

The travel and tourism industry has been a flagship of California's economy for decades, sharing our state's natural beauty and cultural leadership with the world. But when COVID-19 effectively shut down local, domestic and international travel, California's tourism and travel industry was hit harder than any other industry.

For comparison — in 2019, California generated just shy of $145 billion in travel-related spending. In 2020, with international and domestic travel severely restricted and public health restrictions in effect, tourism spending plunged to *$65 billion* — a decline of approximately *$80 billion* from its prior level of *$144 billion*, or more than *50% of all tourism-related spending*. (Data comparisons between 2019 and 2020 based on statistics from California Travel and Tourism Commission (Visit California) in "Economic Impact of Travel in California 2011–2021" (April 29, 2022), available at ***https://industry.visitcalifornia.com/research/economic-impact***.)

The pandemic's effects on the tourism industry echo throughout the economy, with local governments and workers feeling the pain as well. State and local government revenue from tourism decreased by around 50%, from $12.2 billion in 2019 to approximately $6 billion in 2020. Certain tourism-dependent cities were hit even harder, including those with major theme parks, convention centers, performance venues, and tourist destinations. California workers and their families felt the loss of tourism spending as well, with more than 315,000 jobs lost in 2020.

Now, as we look toward 2023 and the status of California's tourism industry, the proverbial question of impatient children on long trips hangs in the air: "Are we there yet?" With Governor Gavin Newsom preparing to end California's state of COVID-19 emergency in early 2023, and with life largely back to normal, has California's tourism sector been able to rebuild itself?

Sadly, the answer (just as so many weary parents know) is: "Not quite yet." On the whole, tourism has continued to rebound in 2022 vis-à-vis 2020 and 2021, as measured in both total visitor trips and in spending — with spending reaching an estimated $137.8 billion and visits reaching 259.8 million — but those numbers remain below 2019's baseline. (Data comparisons between 2022 and prior years (as well as 2023 and 2024 estimates) based on estimated statistics from Visit California in "California Travel-Related Spend & Visitation Forecast (October Update)"(October 18, 2022), available at ***https://industry.visitcalifornia.com/***. Because final 2022 data will not be available until mid-2023, estimates were used at the time of publication.)

Visit California also estimates travel-related spending will return to pre-coronavirus levels in 2023, but total visits will not return to pre-pandemic levels until 2024.

BUSINESS/INTERNATIONAL TRAVEL LAG BEHIND LEISURE

Notably, significant differences exist between leisure and business travel as part of this recovery. Whereas personal travel appears to be returning more quickly, business travel remains

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significantly slower. Business travel trips in 2022 are estimated at roughly 80% of 2019's travel numbers, whereas leisure travel is estimated to have risen to 93% of 2019.

Although we cannot say for certain the cause of the slower recovery in business travel, multiple potential causes deserve consideration.

• First, for domestic professional travel, the shift toward "work-from-home" and teleconferencing may be removing the need for some of the pre-pandemic business travel.

• In addition, with many sectors accommodating higher inflation costs, rebuilding their markets, and anticipating an economic recession, many businesses may be in a "belt tightening" posture, and travel expenses may be one victim of that mindset.

• Finally, international travel lags significantly behind domestic travel in recovering, with 2022 estimates for both visits and total spending 37% and 42% below pre-pandemic levels, respectively.

Of course, these spending levels also reflect an incomplete recovery in both employment and in tax revenue generated for California's state and local governments, with $9.8 billion in tax revenue and 927,100 travel-generated jobs, down from $12.3 billion in revenue and 1.1 billion travel-related jobs in 2019. (Comparison based on 2021 data and 2019 data in Visit California's "Economic Impact Report for Revised CA Legislative Districts" (December 5, 2022). Again, due to complete data for 2022 being unavailable until mid-2023, estimates based on partial data available at publication were used for 2022. Available at: ***https://industry.visitcalifornia.com/research/report/economic-impact-by-updated-leg-districts-2021***.)

BARRIERS TO RECOVERY IN 2023: REGULATIONS, RECESSION, RELATIVE COST

As the tourism industry works toward recovery, various clouds are on the horizon in 2023. At a macro level, inflation and a potential recession could easily drive down consumer and business spending, particularly in the already-lagging areas of business and international travel.

Inside our own state, cost increases in the form of new regulations and legislation are always a concern, as California costs for both businesses and guests vis-à-vis other states is a constant competitive disadvantage in attracting out-of-state visitors.

CALCHAMBER POSITION

The California Chamber of Commerce supports policies that will help California return safely to its status as a premier tourist destination for both domestic and international travelers, while also ensuring visitors and employees are protected from COVID-19. This includes supporting policies that promote tourism, including Visit California and tourism improvement districts, as well as new incentives to bring significant events or attractions to California. As an example of these policies, the 2021–2022 budget included $95 million in funds for Visit California to promote tourism as California re-opened (a push championed by Senator Mike McGuire (D-Healdsburg) and Assemblymember Sharon Quirk-Silva (D-Fullerton) via SB 285, which was subsumed into the budget) and the 2022–2023 budget included another $15 million for this purpose.

Conversely, the Legislature should reject measures that increase costs or create new burdens on the tourism industry, which still is struggling to recover from the deepest pandemic-caused losses of any California industry.

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