Tourism in California

An Uneven Recovery after COVID-19

As Californians, we know that our state offers a rare blend of economic opportunity, cultural diversity, and a huge variety of natural wonders. From the tranquil beauty of our sandy beaches, to the low point of Death Valley, and rising to our towering redwoods and the snow-covered mountains of Mammoth and Lake Tahoe, California's landscapes offer more adventure than most countries. Our vibrant cities and universities offer visitors a portal into other cultures and experiences about which most of the world can only dream.

The travel and tourism industry has been the flagship of California's economy for decades, sharing all that California has to offer with both domestic and international visitors — while employing more than a million Californians and generating billions in tax revenue for California's local governments. Many of these tourism-related businesses (such as seasonal attractions or restaurants) also provide entry-level or part-time jobs for Californians as they take their first steps on the economic ladder. Moreover, the hospitality industry provides employment opportunities at every stage of a person's career ladder — from entry-level to management.

CONTINUING STRUGGLE

But California's tourism industry continues to struggle with the aftermath of COVID-19. Key takeaways are:

- Total visitors to California in 2023 remained significantly below pre-pandemic levels, for both domestic and international travelers.
- International spending remains below pre-pandemic levels, with domestic spending finally catching up in absolute dollars. When adjusting for inflation, however, even domestic spending remains below pre-pandemic levels.
- The recovery is uneven across California's diverse regions.

STILL NOT RECOVERED FROM COVID-19

Tourism and travel were among the hardest hit industries during the COVID-19 pandemic, with many hotels and resorts completely shut down and air travel heavily restricted. Only now — years later — is the tourism industry beginning to return to its 2019-level business, but that return is unevenly distributed across sectors and industries.

Looking at macro-level indicators, there continues to be a sharp difference in international and domestic travel. In 2023, international travel spending remained below 2019's pre-pandemic numbers ($22.5 billion now vs. $28.13 billion then), while domestic travel spending finally returned to 2019's benchmark ($127.9 billion now vs. $116.7 billion then). (Data comparisons based on statistics from California's Travel and Tourism Commission (Visit California) and their "Economic Impact of Travel in California 2014–2023" report (May 17, 2021), available at https://industry.visitcalifornia.com/research/economic-impact.)

Visitor counts show even more troubling data. Total incoming international travelers in 2023 remained 15% below pre-pandemic levels (17.5 million in 2019 vs.15 million in 2023), and domestic travel remained 7.2% below pre-pandemic levels. (Based on statistics from Visit California's "California Travel-Related Spend & Visitation Forecast (October update)" report (October 2024) available at: https://industry.visitcalifornia.com/research/travel-forecast.)

In short, this data suggests that tourism in California is still seeing fewer visitors than in 2019, but each visitor is spending just enough to bring overall tourism revenue close to 2019's absolute spending. Considering overall inflation between 2019 and 2023 was above 16%, it seems likely that this data actually means fewer consumers are spending the same amount, but inflation is pushing absolute numbers upward. (Estimate taken from Department of Industrial Relations, Consumer Price Index Calculator, measuring inflation from January 2020 to December 2023.)

REGIONAL DIFFERENCES REMAIN; MOST LARGE MARKETS AND BUSINESS-DRIVEN MARKETS STRUGGLING

Those macro numbers, however, conceal a more nuanced situation for individual markets and sectors. San Francisco and Los Angeles hotels continue to see hotel occupancy rates below 2019 levels, with correspondingly lower revenues. San Diego is in a slightly better place, with travel spending at hotels above 2019 levels — but even there, occupancy rates remain below pre-pandemic levels. (San Diego Tourism Authority, "San Diego Lodgings Forecast," October 2024.)

Markets which relied more heavily on business-related travel pre-pandemic continue to struggle. For example, tourism spending in San Francisco County remains below pre-pandemic levels — while personal travel-focused areas such as San Diego have returned to pre-pandemic levels of overall spending. But even among coastal areas, stark differences remain. Smaller markets, such as Monterey and Santa Barbara counties, generally remain well below their 2019 spending levels. Santa Cruz County is a rare bright spot, with almost 40% growth in travel spending compared to 2019.

TOURISM EMPLOYMENT REMAINS BELOW PRE-PANDEMIC LEVELS

These economic struggles translate to fewer jobs for Californians —particularly young Californians. Research from Visit California concluded that 38% of all first jobs in California are in the travel and tourism sectors. ("California's Resilient Workforce," available at: https://travelmattersca.com/issues-insights/jobs-and-workforce.) Despite providing an impressive 1.15 million jobs in 2023, overall employment in the sector remains slightly below its 2019 peak. The majority of these jobs are in the hard-hit sectors of accommodations and food services (approximately 658,000 jobs), with the next-largest sector being in Arts, Entertainment, and Recreation (290,000 jobs), and the remaining share spread across ground/air travel and retail.

TOURISM-DRIVEN TAX RECEIPTS SURPASS 2019, BUT LAG BEHIND INFLATION AND LIKELY TO DIP AFTER FIRES

Travel-generated tax revenue rose to $12.7 billion in 2023, which is good — but this is a measly 3% above 2019 — meaning that it hasn't kept pace with inflation and tax revenue actually remains down in real terms. Particularly in the anticipated difficult budget year of 2025, the tax revenues that tourism provides will be critical for state and local officials.

How much of this slower-than-expected recovery is potentially due to structural changes, such as the widespread adoption of video-conferencing technology and cost-cutting on business travel? How much is related to international factors, such as lower international demand from hotspots such as China? And what effect will the ongoing devastating wildfires in Los Angeles have on 2025's tourism to the LA area? Will rebuilding happen in time for the 2028 Summer Olympics? Only time will tell. But California's tourism and travel industry appears to be facing lingering headwinds as the rest of the economy is hitting its stride.

CALCHAMBER POSITION

The California Chamber of Commerce supports policies that will help California safely return to its status as a premier tourist destination both for 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. (This push was championed by Senator Mike McGuire (D-Healdsburg) and Assemblymember Sharon Quirk-Silva (D-Fullerton) via their bill, SB 285, which was subsumed into the budget.) The 2022–2023 budget included another $15 million for this purpose.

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