

Economic and Fiscal Impact Analysis

Estimated Total Impact of Tourism in Hilton Head Island, 2017 on Beaufort County, South Carolina

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Revised, March 7, 2019

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In late March/early April of 2018, it was discovered that one submitting property for the Hilton Head Island villa data set was including comps/owner stays in their submissions. This property represented approximately 30% of the total inventory participating at that time.

We also had a new property come on board in March of 2018 that initially was only submitting data that had an arrival date during the current reporting month.

As a result of the errant data, Inntopia conducted a restatement of the villa reports going back to 10/31/17. This process included restating individual property data back to 10/31/16 to ensure an accurate year over year comparison.

-Stacey Mullen - Business Intelligence Production & Publication Coordinator, Inntopia (3/8/2019)

I. Introduction

This study of the economic and fiscal impact of tourism in Hilton Head Island in the year 2017 was performed by Regional Transactions Concepts, LLC, in association with Dr. John Salazar of the Lowcountry and Resort Islands Tourism Institute (LRITI) at the University of South Carolina, Beaufort. These impacts result from spending by tourists during their visit to the island. This study was revised due to revised visitor numbers received by VCB following completion of the original report.

The study examines spending by tourists classified into five segments according to their lodging arrangement while visiting the island: villa rental, timeshare, hotel, second homeowners and their non-paying guests, and finally those who visit for the day and do not lodge overnight. The estimated impact from spending by each of these groups is summed in order to indicate the total impact that Hilton Head tourism had on Beaufort County, South Carolina in 2017.

II. Model and Assumptions

The models generated by Regional Transactions utilized the Regional Economic Models, Inc. (REMI) PI⁺ economic modeling engine. The REMI model is an input-output (IO) and computable general equilibrium (CGE) model; it is also a New Economic Geography model, taking into account transportation and labor and resource availability in order to more accurately model economic activity across geographic regions. The model forecasts a baseline level of activity assuming all things constant except for normal economic growth. Changes to employment, income, or demand for products or services by either the private or the public sector can be input to the model. Based on these inputs, the REMI model generates a county level estimate of the resultant variation from the projected baseline, as well as the effects on every industry.

Visitor spending for each visitor segment was determined by a survey conducted by LRITI. Respondents reported spending in 23 categories, including lodging, food, transportation, and en-

tertainment. The total number of visitors in each segment is listed in Table 1. A list of spending categories reported in the survey is presented in Table 2. For purposes of generating inputs to the model, the mean expenditures reported by each group for each category were weighted according to the proportion of survey respondents reporting spending in that category; this was then divided by the average number of persons per party reported by the respondents. Finally, this weighted average spend per person in each category was multiplied by the total number of visitors to the island for each group reported by the Convention and Visitors Bureau for 2017.

Output from the REMI model is then input to our own fiscal impact model in order to estimate the impact on local government revenue and expenditures.

**Table 1. Number of HHI Visitors
By Segment (2017)**

Segment	Count
Villa Rental	705,974
Timeshare	456,555
Second Homeowner	598,777
Non-Paying Guests	159,137
Hotel	471,556
Day Trip	223,286
Total Visitors	2,615,285

The numbers reported in the following include direct, indirect, and induced impacts. Estimates are reported using the following metrics:

- *Employment* is the number of jobs or job equivalents created by economic activities resulting through direct, indirect, and induced effects from tourist expenditures.
- *Total compensation* is the aggregated impact on wages paid in Beaufort County, including fringes. This includes wages paid to workers holding jobs in the county who may reside elsewhere; likewise, it excludes wages earned by Beaufort County residents who work outside of the county.
- *Output* is the dollar value of all goods and

Table 2. 2017 Estimated Direct Spend by Spending Category
(Thousands of 2015 Dollars)

Spending Category	HHI
Transportation (around your trip destination)	\$17,502
Lodging	\$505,394
Food-dining out	\$188,723
Food-groceries	\$92,662
Beaches	\$4,411
Shopping	\$118,597
Spas	\$8,965
Golf	\$40,878
Biking	\$12,332
Parks	\$750
Performance/visual arts	\$6,585
Festivals	\$3,087
Museum/historical tours	\$4,014
Boating/sailing	\$11,364
Nature based activities	\$1,719
Dolphin tours	\$7,284
Tennis	\$1,681
Fishing	\$5,340
Sporting events	\$1,046
Other cultural activities	\$4,049
Other sport activities	\$3,331
Other outdoor activities	\$6,210
Other expenses	\$33,597
Total	\$1,079,522

services produced within the county per year.

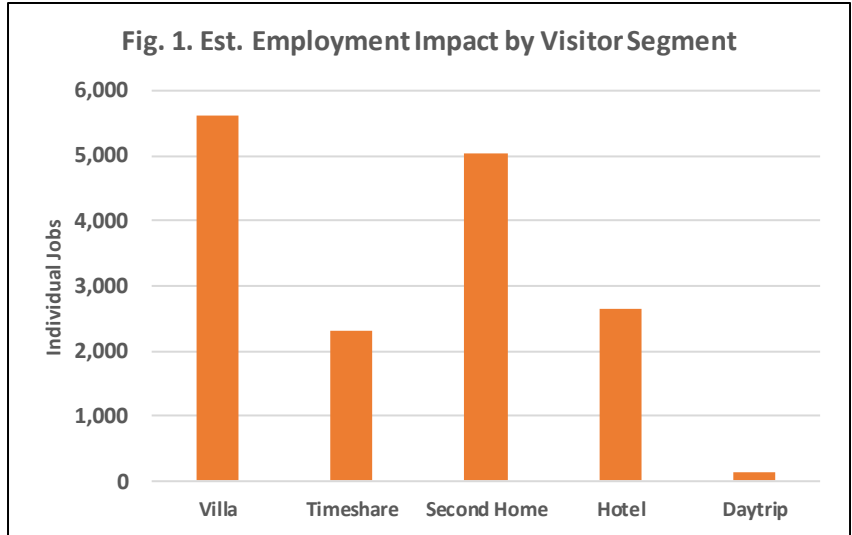
- *Net local government revenue* is the revenue collected by local (county and municipal) governments from all sources, including taxes, licensing, and fees, less expenses. Detailed impact estimates for *gross* local government revenues are presented in the Appendix.

III. Results

Impact estimates for each visitor segment are presented in the Appendix and represented by visitor segment in Figure 1. The total output multiplier for tourist spending was estimated from the model estimates. The output multiplier is the ratio of total economic impact to direct spending for each segment. The estimated output multiplier for total Hilton Head Island tourist spending for Beaufort County by all five segments is **1.30**; this means that every dollar spent by tourists in Hilton Head increases output in the Beaufort County economy by a total of \$1.30.

Total economic impact (output) on Beaufort County from tourist spending was approximately **\$1.4 billion** in 2017. Tourist spending generated a positive impact on net revenues (i.e., net of the impact on expenditures) to local governments in Beaufort County of approximately **\$13.8 million**, *not* including revenues generated by state and local ATAX and local hospitality taxes.

The one percent local ATAX plus the two percent beach renourishment tax generated a total of \$10.2 million in gross revenues for the town in 2017. Hospitality tax revenue totaled nearly \$6.7 million; of this, the economic impact of visitor spending on the food services industry (including direct, indirect, and induced effects) was approximately \$3.5 million, which constitutes an estimated 52.6 percent of total hospitality tax revenue. The total impact to the 2.5 percent county admissions tax from visitor spending was approximately \$1.7 million. Including local ATAX, hospitality, and admissions taxes, the net estimated impact on local government revenue increases to **\$30.9 million**. Direct marketing expense reported by the VCB for the Town of Hilton Head Island was \$1,881,906 in 2017. Comparing this marketing



expense to net revenue impact, the return on tax investment (ROTI) was approximately **\$16.44** on every dollar spent on destination marketing.

It is worth noting that the estimated ROTI in 2017 was substantially lower than the \$21.26 per dollar ROTI estimated in 2016. This is due to an increase in destination marketing spending that occurred in the fiscal year ending 2017. Hilton Head Island and the surrounding area were affected by Hurricane Matthew in October 2016, which negatively impacted the region’s tourist season. In response, the VCB received \$300,000 in crisis funding from the Town, which constituted most of the difference in spending between the two years. It is possible that tourism impact may have decreased between 2016-2017 had this extra marketing push not occurred.

IV. Conclusion

As visitors to the island bring their income with them to spend during their visit, they create a net inflow of funds to the region that generates income to local businesses and households. In this way, tourism is a true export industry. The **15,735** jobs that comprise the estimated total employment impact generated by Hilton Head tourists in 2017 represent **14.9 percent** of all jobs in Beaufort County.¹

¹ Total employment in Beaufort County, South Carolina was 105,618 according to the Bureau of Economic Analysis (BEA), Table CA4, in 2016.

Appendix

Table A1. Villa - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	5,623
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 181,831
Output	Thousands of Fixed (2015) Dollars	\$ 514,843
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 5,146

Table A2. Timeshare - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	2,317
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 73,245
Output	Thousands of Fixed (2015) Dollars	\$ 206,292
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 1,884

Table A3. Second Homeowner Guests - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	5,027
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 157,515
Output	Thousands of Fixed (2015) Dollars	\$ 439,974
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 4,073

Table A4. Hotel Visitors - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	2,655
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 81,097
Output	Thousands of Fixed (2015) Dollars	\$ 226,821
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 2,042

Table A5. Daytrippers - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	128
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 3,953
Output	Thousands of Fixed (2015) Dollars	\$ 10,177
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 60

Table A6. Total, All Segments - Estimated Economic Impact (Beaufort County)

Category	Units	2017
Total Employment	Individuals (Jobs)	15,735
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 502,349
Output	Thousands of Fixed (2015) Dollars	\$ 1,398,750
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 13,754
Net Local Gov Rev incl ATAX/HTAX*	Thousands of Fixed (2015) Dollars	\$ 30,939

* Local portion of ATAX includes beach renourishment fee plus portion of state ATAX returned to DMO

Table A7. Est. Local Gross Revenue Impact (\$1000s), Beaufort County

Category	Revenue Type	2017
Charges	Air Transportation	\$ 468.0
Federal Intergovernmental	Air Transportation	\$ 151.1
Tax	Alcoholic Bev Sales	\$ 3.9
Charges	All Other	\$ 175.8
Federal Intergovernmental	All Other	\$ 33.4
State Intergovernmental	All Other	\$ 116.0
Tax	Amusements Lic	\$ 0.3
Intergovernmental to State	Correctional Institutions	\$ 0.3
Tax	Death and Gift	\$ 0.1
Tax	Documentary and Stock Transfer	\$ 8.1
Misc	Donations from Private Sources	\$ 17.7
Employee Retirement	Earnings on Investments (calculated)	\$ 4.1
Federal Intergovernmental	Education	\$ 1.9
State Intergovernmental	Education	\$ 2,617.4
Revenue	Electric Utilities	\$ 1,646.1
Federal Intergovernmental	Electric Utilities	\$ 1.7
Intergovernmental to State	Electric Utilities	\$ 1.3
Intergovernmental to State	Elementary-Secondary Ed	\$ 6.8
Charges	Elementary-Secondary Ed - Other	\$ 91.2
Charges	Elementary-Secondary Sch Lunch	\$ 53.4
Charges	Elem-Sec Ed Tuition and Transportation	\$ 6.6
Misc	Fines and Forfeits	\$ 64.7
Employee Retirement	From Other Governments	\$ 0.1
Revenue	Gas Utilities	\$ 649.6
Intergovernmental to State	General - Other	\$ 4.7
Federal Intergovernmental	General Local Gov Support	\$ 5.2
State Intergovernmental	General Local Gov Support	\$ 152.4
Misc	General Rev, NEC	\$ 292.0
Tax	General Sales/Gross Rcpts	\$ 948.9
Intergovernmental to State	Health - Other	\$ 4.8

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Table A7. (cont'd) Est. Local Gross Revenue Impact (\$1000s), Beaufort County

Category	Revenue Type	2017
Federal Intergovernmental	Health and Hospitals	\$ 114.7
State Intergovernmental	Health and Hospitals	\$ 101.5
Federal Intergovernmental	Highways	\$ 6.3
State Intergovernmental	Highways	\$ 36.3
Charges	Hospital Public	\$ 8,361.1
Charges	Housing and Community Dev	\$ 17.2
Federal Intergovernmental	Housing and Community Dev	\$ 151.3
State Intergovernmental	Housing and Community Dev	\$ 12.0
Misc	Interest Earnings	\$ 331.3
Intergovernmental to State	Judicial and Legal Serv	\$ 3.7
Intergovernmental to State	Libraries	\$ 0.1
Employee Retirement	Local Empl Contribution	\$ 0.1
Charges	Misc Commercial Activities	\$ 4.5
Tax	Motor Vehicle Lic	\$ 279.4
Federal Intergovernmental	Natural Resources	\$ 28.1
Charges	Natural Resources - Other	\$ 3.5
Tax	Occupation/Business Lic	\$ 1,113.0
Intergovernmental to State	Other Higher Ed	\$ 0.0
Tax	Other Licenses	\$ 35.1
Tax	Other Selective Sales	\$ 522.9
Charges	Parking Facilities	\$ 19.7
Charges	Parks and Rec	\$ 25.6
Tax	Property	\$ 3,451.4
Tax	Public Utilities Sales	\$ 186.5
Tax	Public Utility Lic	\$ 192.0
Federal Intergovernmental	Public Welfare	\$ 5.5
State Intergovernmental	Public Welfare	\$ 8.4
Intergovernmental to State	Public Welfare	\$ 1.3
Charges	Regular Highways	\$ 25.0
Intergovernmental to State	Regular Highways	\$ 0.6

Table A7. (cont'd) Est. Local Gross Revenue Impact (\$1000s), Beaufort County

Category	Revenue Type	2017
Misc	Rents	\$ 28.4
Misc	Sale of Property	\$ 201.1
Charges	Sea and Inland Port Facilities	\$ 5.4
Charges	Sewerage	\$ 1,751.0
Federal Intergovernmental	Sewerage	\$ 87.0
State Intergovernmental	Sewerage	\$ 27.6
Intergovernmental to State	Sewerage	\$ 0.1
Charges	Solid Waste Mgt	\$ 717.2
Misc	Special Assessments	\$ 14.2
Tax	Tax, NEC	\$ 515.8
Revenue	Transit Utilities	\$ 32.7
Federal Intergovernmental	Transit Utilities	\$ 56.7
State Intergovernmental	Transit Utilities	\$ 51.0
Revenue	Water Utilities	\$ 1,640.5
Federal Intergovernmental	Water Utilities	\$ 32.7
State Intergovernmental	Water Utilities	\$ 54.3
Intergovernmental to State	Water Utilities	\$ 0.1
Tax	ATAX (Local + Beach Renourishment)	\$ 10,186.1
Tax	ATAX (VCB share of State)	\$ 1,760.9
Tax	HTAX	\$ 3,501.1
Tax	Recreation Tax	\$ 1,736.6
Total		\$ 44,966.7

Table A8. Est. Local Expenditure Impact (\$1000s), Beaufort County

Category	Expenditure Type	2017
Current Ops	Air Transportation	\$ 43.0
Construction	Air Transportation	\$ -
Other Capital Outlay	Air Transportation	\$ 1.7
Employee Retirement	Benefit Pmts	\$ -
Current Ops	Central Staff Serv	\$ 156.9
Construction	Central Staff Serv	\$ -
Other Capital Outlay	Central Staff Serv	\$ 2.5
Current Ops	Correctional Institutions	\$ -
Construction	Correctional Institutions	\$ -
Other Capital Outlay	Correctional Institutions	\$ -
Current Ops	Corrections - Other	\$ -
Other Capital Outlay	Corrections - Other	\$ -
Current Ops	Electric Utilities	\$ 293.5
Construction	Electric Utilities	\$ -
Other Capital Outlay	Electric Utilities	\$ 1.6
Interest on Debt	Electric Utilities	\$ -
Current Ops	Elementary-Secondary Ed	\$ 3,960.1
Construction	Elementary-Secondary Ed	\$ -
Other Capital Outlay	Elementary-Secondary Ed	\$ 201.5
Current Ops	Financial Admin	\$ 143.0
Construction	Financial Admin	\$ -
Other Capital Outlay	Financial Admin	\$ 1.6
Current Ops	Gas Utilities	\$ 127.0
Construction	Gas Utilities	\$ -
Other Capital Outlay	Gas Utilities	\$ 2.2
Interest on Debt	Gas Utilities	\$ -
Interest on Debt	General	\$ -
Current Ops	General - Other	\$ 191.2
Construction	General - Other	\$ 41.6
Other Capital Outlay	General - Other	\$ 51.9

Table A8. (cont'd) Est. Local Expenditure Impact (\$1000s), Beaufort County

Category	Expenditure Type	2017
Current Ops	General Public Bldgs	\$ 57.9
Construction	General Public Bldgs	\$ -
Other Capital Outlay	General Public Bldgs	\$ 16.4
Current Ops	Health - Other	\$ 99.4
Construction	Health - Other	\$ -
Other Capital Outlay	Health - Other	\$ 4.5
Current Ops	Hospitals	\$ 2,030.5
Construction	Hospitals	\$ -
Other Capital Outlay	Hospitals	\$ 85.9
Current Ops	Housing and Community Dev	\$ 175.8
Construction	Housing and Community Dev	\$ 23.1
Other Capital Outlay	Housing and Community Dev	\$ 3.0
Current Ops	Judicial and Legal Serv	\$ -
Construction	Judicial and Legal Serv	\$ -
Other Capital Outlay	Judicial and Legal Serv	\$ -
Current Ops	Libraries	\$ 68.6
Construction	Libraries	\$ -
Other Capital Outlay	Libraries	\$ 1.4
Current Ops	Local Fire Protection	\$ 242.6
Construction	Local Fire Protection	\$ -
Other Capital Outlay	Local Fire Protection	\$ 13.7
Current Ops	Misc Commercial Activities, NEC	\$ 2.9
Construction	Misc Commercial Activities, NEC	\$ -
Other Capital Outlay	Misc Commercial Activities, NEC	\$ 0.1
Current Ops	Natural Resources - Other	\$ 7.8
Construction	Natural Resources - Other	\$ -
Other Capital Outlay	Natural Resources - Other	\$ 4.2
Current Ops	Parking Facilities	\$ 8.5
Construction	Parking Facilities	\$ 0.4
Other Capital Outlay	Parking Facilities	\$ 0.6

Table A8. (cont'd) Est. Local Expenditure Impact (\$1000s), Beaufort County

Category	Expenditure Type	2017
Current Ops	Parks and Rec	\$ 146.7
Construction	Parks and Rec	\$ -
Other Capital Outlay	Parks and Rec	\$ 30.6
Current Ops	Police Protection	\$ 477.9
Construction	Police Protection	\$ -
Other Capital Outlay	Police Protection	\$ 25.4
Current Ops	Protective Inspection and Reg NEC	\$ 25.1
Construction	Protective Inspection and Reg NEC	\$ -
Other Capital Outlay	Protective Inspection and Reg NEC	\$ 1.4
Assistance & Subsidies	Public Welfare - Fed Categorical Assistance Progs	\$ 0.2
Current Ops	Public Welfare - Other	\$ 21.6
Construction	Public Welfare - Other	\$ 0.2
Other Capital Outlay	Public Welfare - Other	\$ 0.1
Current Ops	Public Welfare - Vendor Pmts for Medical Care	\$ 0.5
Current Ops	Public Welfare Institutions	\$ 17.6
Construction	Public Welfare Institutions	\$ -
Other Capital Outlay	Public Welfare Institutions	\$ 0.0
Current Ops	Regular Highways	\$ 127.8
Construction	Regular Highways	\$ 124.4
Other Capital Outlay	Regular Highways	\$ 23.1
Current Ops	Sea and Inland Port Facilities	\$ 4.1
Construction	Sea and Inland Port Facilities	\$ -
Other Capital Outlay	Sea and Inland Port Facilities	\$ 0.0
Current Ops	Sewerage	\$ 255.9
Construction	Sewerage	\$ 97.2
Other Capital Outlay	Sewerage	\$ 11.5
Current Ops	Solid Waste Mgt	\$ 178.9
Construction	Solid Waste Mgt	\$ -
Other Capital Outlay	Solid Waste Mgt	\$ 17.1
Salaries and Wages	Total	\$ 4,030.5

Table A8. (cont'd) Est. Local Expenditure Impact (\$1000s), Beaufort County

Category	Expenditure Type	2017
Current Ops	Transit Utilities	\$ 44.2
Construction	Transit Utilities	\$ -
Other Capital Outlay	Transit Utilities	\$ 5.0
Interest on Debt	Transit Utilities	\$ -
Current Ops	Water Utilities	\$ 273.7
Construction	Water Utilities	\$ -
Other Capital Outlay	Water Utilities	\$ 19.9
Interest on Debt	Water Utilities	\$ -
Employee Retirement	Withdrawals	\$ 0.0
Total		\$ 14,027.6