

## Economic and Fiscal Impact Analysis

# Estimated Total Impact of Tourism in Hilton Head Island, 2018 on Beaufort County, South Carolina

**Robert T. Carey, Ph.D.**  
Principal

PO Box 1181  
Pendleton, SC 29670

Phone: 864-502-8025  
rcarey@regionaltransactions.com

**Robert T. Carey, Ph.D.,**  
Regional Transactions Concepts, LLC

**John Salazar, Ph.D.**  
University of South Carolina Beaufort  
Lowcountry and Resort Islands Tourism Institute

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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)*

To access the revised Estimated Total Impact Report of Tourism in Hilton Head Island, 2017 on Beaufort County, South Carolina, please reference [www.thinkhiltonhead.org](http://www.thinkhiltonhead.org).

**I. Introduction**

This study of the economic and fiscal impact of tourism in Hilton Head Island in the year 2018 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.

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 2018.

**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 entertainment. 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 2018.

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 (2018)**

<b>Segment</b>	<b>Count</b>
Villa Rental	720,666
Timeshare	456,070
Second Homeowner	598,777
Non-Paying Guests	159,137
Hotel	459,603
Day Trip	223,512
<b>Total Visitors</b>	<b>2,617,764</b>

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 services produced within the county per year.

**Table 2. 2018 Estimated Direct Spend by Spending Category**  
**(Thousands of 2015 Dollars)**

<b>Spending Category</b>	<b>HHI</b>
Transportation (around your trip destination)	\$17,459
Lodging	\$508,227
Food-dining out	\$188,653
Food-groceries	\$93,086
Beaches	\$4,394
Shopping	\$118,500
Spas	\$8,902
Golf	\$41,004
Biking	\$12,412
Parks	\$745
Performance/visual arts	\$6,586
Festivals	\$3,083
Museum/historical tours	\$4,001
Boating/sailing	\$11,433
Nature based activities	\$1,727
Dolphin tours	\$7,288
Tennis	\$1,683
Fishing	\$5,338
Sporting events	\$1,035
Other cultural activities	\$4,034
Other sport activities	\$3,331
Other outdoor activities	\$6,200
Other expenses	\$33,593
<b>Total</b>	<b>\$1,082,715</b>

- *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 and expenditures are presented in the Appendix.

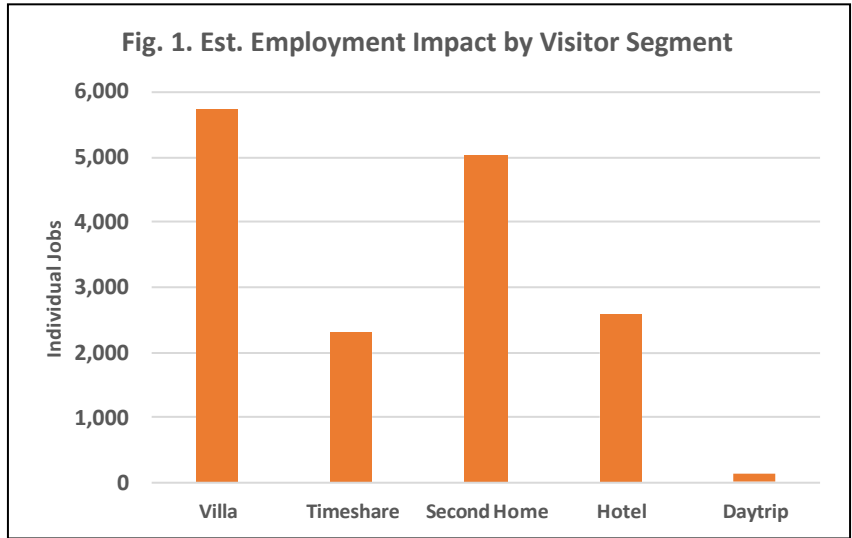
### III. Results

Total visitation to the island in 2018 was slightly lower than in 2017, likely due to a series of adverse weather events: hurricanes Florence and Michael, and winter storm Grayson, all of which impacted Hilton Head during 2018. While Florence did not pass over the island, its predicted path did lead to a mandatory evacuation.

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 **1.29**; 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 2018. 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.

Including the hospitality tax, ATAX, and beach re-nourishment fee, net local revenue is estimated to have been impacted by **\$31.5 million**. Using this impact to estimate the return on tax investment (ROTI), given the \$1.8 million spent on destination marketing in 2018, yields an estimated return of **\$17.63** for every dollar spent by the DMO.



### 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 **15,786** jobs that comprise the estimated total employment impact generated by Hilton Head tourists in 2018 represent **14.4 percent** of all jobs in Beaufort County.<sup>1</sup>

The total impact of Hilton Head tourism estimated by this report is noticeably down in 2018 relative to the previous year. This is doubtless the result of adverse weather, including hurricanes and mandatory evacuations, which caused substantial disruption to the tourist season. Given this, there is nothing in these data to indicate a change in the long-term trend of annual tourism to the island.

<sup>1</sup> Total employment in Beaufort County, South Carolina was 109,258 according to the Bureau of Economic Analysis (BEA), Table CAINC4, in 2017, the most recent year for which data are available.

Appendix

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

<b>Category</b>	<b>Units</b>	<b>2018</b>
Total Employment	Individuals (Jobs)	5,740
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 185,633
Output	Thousands of Fixed (2015) Dollars	\$ 525,561
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 5,255

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

<b>Category</b>	<b>Units</b>	<b>2018</b>
Total Employment	Individuals (Jobs)	2,314
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 73,167
Output	Thousands of Fixed (2015) Dollars	\$ 206,073
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 1,882

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

<b>Category</b>	<b>Units</b>	<b>2018</b>
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)**

<b>Category</b>	<b>Units</b>	<b>2018</b>
Total Employment	Individuals (Jobs)	2,587
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 79,037
Output	Thousands of Fixed (2015) Dollars	\$ 221,071
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 1,990

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

<b>Category</b>	<b>Units</b>	<b>2018</b>
Total Employment	Individuals (Jobs)	128
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 3,957
Output	Thousands of Fixed (2015) Dollars	\$ 10,188
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 60

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

<b>Category</b>	<b>Units</b>	<b>2018</b>
Total Employment	Individuals (Jobs)	15,786
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 504,034
Output	Thousands of Fixed (2015) Dollars	\$ 1,403,513
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 13,811
Net Local Gov Rev incl ATAX/HTAX*	Thousands of Fixed (2015) Dollars	\$ 31,467

\* 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**

<b>Category</b>	<b>Revenue Type</b>	<b>2018</b>
Charges	Air Transportation	\$ 469.6
Federal Intergovernmental	Air Transportation	\$ 151.6
Tax	Alcoholic Bev Sales	\$ 3.9
Charges	All Other	\$ 176.2
Federal Intergovernmental	All Other	\$ 33.5
State Intergovernmental	All Other	\$ 116.3
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)	\$ 4.2
Federal Intergovernmental	Education	\$ 1.9
State Intergovernmental	Education	\$ 2,624.0
Revenue	Electric Utilities	\$ 1,651.7
Federal Intergovernmental	Electric Utilities	\$ 1.7
Intergovernmental to State	Electric Utilities	\$ 1.3
Intergovernmental to State	Elementary-Secondary Ed	\$ 6.9
Charges	Elementary-Secondary Ed - Other	\$ 91.5
Charges	Elementary-Secondary Sch Lunch	\$ 53.5
Charges	Elem-Sec Ed Tuition and Transportation	\$ 6.6
Misc	Fines and Forfeits	\$ 64.9
Employee Retirement	From Other Governments	\$ 0.1
Revenue	Gas Utilities	\$ 651.9
Intergovernmental to State	General - Other	\$ 4.7
Federal Intergovernmental	General Local Gov Support	\$ 5.3
State Intergovernmental	General Local Gov Support	\$ 152.8
Misc	General Rev, NEC	\$ 292.7
Tax	General Sales/Gross Rcpts	\$ 952.0
Intergovernmental to State	Health - Other	\$ 4.8



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

<b>Category</b>	<b>Revenue Type</b>	<b>2018</b>
Federal Intergovernmental	Health and Hospitals	\$ 115.1
State Intergovernmental	Health and Hospitals	\$ 101.9
Federal Intergovernmental	Highways	\$ 6.3
State Intergovernmental	Highways	\$ 36.4
Charges	Hospital Public	\$ 8,388.2
Charges	Housing and Community Dev	\$ 17.3
Federal Intergovernmental	Housing and Community Dev	\$ 151.7
State Intergovernmental	Housing and Community Dev	\$ 12.1
Misc	Interest Earnings	\$ 332.1
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	\$ 280.3
Federal Intergovernmental	Natural Resources	\$ 28.2
Charges	Natural Resources - Other	\$ 3.5
Tax	Occupation/Business Lic	\$ 1,116.8
Intergovernmental to State	Other Higher Ed	\$ 0.0
Tax	Other Licenses	\$ 35.2
Tax	Other Selective Sales	\$ 524.6
Charges	Parking Facilities	\$ 19.7
Charges	Parks and Rec	\$ 25.7
Tax	Property	\$ 3,465.4
Tax	Public Utilities Sales	\$ 187.2
Tax	Public Utility Lic	\$ 192.7
Federal Intergovernmental	Public Welfare	\$ 5.6
State Intergovernmental	Public Welfare	\$ 8.4
Intergovernmental to State	Public Welfare	\$ 1.3
Charges	Regular Highways	\$ 25.1
Intergovernmental to State	Regular Highways	\$ 0.6

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

<b>Category</b>	<b>Revenue Type</b>	<b>2018</b>
Misc	Rents	\$ 28.5
Misc	Sale of Property	\$ 201.7
Charges	Sea and Inland Port Facilities	\$ 5.4
Charges	Sewerage	\$ 1,757.0
Federal Intergovernmental	Sewerage	\$ 87.3
State Intergovernmental	Sewerage	\$ 27.7
Intergovernmental to State	Sewerage	\$ 0.1
Charges	Solid Waste Mgt	\$ 719.8
Misc	Special Assessments	\$ 14.2
Tax	Tax, NEC	\$ 517.5
Revenue	Transit Utilities	\$ 32.8
Federal Intergovernmental	Transit Utilities	\$ 56.8
State Intergovernmental	Transit Utilities	\$ 51.2
Revenue	Water Utilities	\$ 1,646.1
Federal Intergovernmental	Water Utilities	\$ 32.8
State Intergovernmental	Water Utilities	\$ 54.5
Intergovernmental to State	Water Utilities	\$ 0.1
Tax	ATAX (Local + Beach Renourishment)	\$ 10,631.7
Tax	ATAX (VCB share of State)	\$ 1,785.0
Tax	HTAX	\$ 3,501.1
Tax	Recreation Tax	\$ 1,738.6
<b>Total</b>		<b>\$ 45,529.8</b>

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

<b>Category</b>	<b>Expenditure Type</b>	<b>2018</b>
Current Ops	Air Transportation	\$ 43.1
Construction	Air Transportation	\$ -
Other Capital Outlay	Air Transportation	\$ 1.7
Employee Retirement	Benefit Pmts	\$ -
Current Ops	Central Staff Serv	\$ 157.3
Construction	Central Staff Serv	\$ -
Other Capital Outlay	Central Staff Serv	\$ 2.6
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	\$ 294.2
Construction	Electric Utilities	\$ -
Other Capital Outlay	Electric Utilities	\$ 1.6
Interest on Debt	Electric Utilities	\$ -
Current Ops	Elementary-Secondary Ed	\$ 3,970.1
Construction	Elementary-Secondary Ed	\$ -
Other Capital Outlay	Elementary-Secondary Ed	\$ 202.0
Current Ops	Financial Admin	\$ 143.4
Construction	Financial Admin	\$ -
Other Capital Outlay	Financial Admin	\$ 1.6
Current Ops	Gas Utilities	\$ 127.4
Construction	Gas Utilities	\$ -
Other Capital Outlay	Gas Utilities	\$ 2.2
Interest on Debt	Gas Utilities	\$ -
Interest on Debt	General	\$ -
Current Ops	General - Other	\$ 191.7
Construction	General - Other	\$ 41.8
Other Capital Outlay	General - Other	\$ 52.0

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

<b>Category</b>	<b>Expenditure Type</b>	<b>2018</b>
Current Ops	General Public Bldgs	\$ 58.0
Construction	General Public Bldgs	\$ -
Other Capital Outlay	General Public Bldgs	\$ 16.4
Current Ops	Health - Other	\$ 99.6
Construction	Health - Other	\$ -
Other Capital Outlay	Health - Other	\$ 4.5
Current Ops	Hospitals	\$ 2,035.6
Construction	Hospitals	\$ -
Other Capital Outlay	Hospitals	\$ 86.2
Current Ops	Housing and Community Dev	\$ 176.2
Construction	Housing and Community Dev	\$ 23.2
Other Capital Outlay	Housing and Community Dev	\$ 3.1
Current Ops	Judicial and Legal Serv	\$ -
Construction	Judicial and Legal Serv	\$ -
Other Capital Outlay	Judicial and Legal Serv	\$ -
Current Ops	Libraries	\$ 68.8
Construction	Libraries	\$ -
Other Capital Outlay	Libraries	\$ 1.4
Current Ops	Local Fire Protection	\$ 243.2
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	\$ 4.3
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**

<b>Category</b>	<b>Expenditure Type</b>	<b>2018</b>
Current Ops	Parks and Rec	\$ 147.0
Construction	Parks and Rec	\$ -
Other Capital Outlay	Parks and Rec	\$ 30.7
Current Ops	Police Protection	\$ 479.1
Construction	Police Protection	\$ -
Other Capital Outlay	Police Protection	\$ 25.5
Current Ops	Protective Inspection and Reg NEC	\$ 25.2
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	\$ 21.7
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	\$ 128.2
Construction	Regular Highways	\$ 124.7
Other Capital Outlay	Regular Highways	\$ 23.2
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	\$ 256.6
Construction	Sewerage	\$ 97.5
Other Capital Outlay	Sewerage	\$ 11.5
Current Ops	Solid Waste Mgt	\$ 179.4
Construction	Solid Waste Mgt	\$ -
Other Capital Outlay	Solid Waste Mgt	\$ 17.1
<b>Salaries and Wages Total</b>		<b>\$ 4,040.6</b>

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

<b>Category</b>	<b>Expenditure Type</b>	<b>2018</b>
Current Ops	Transit Utilities	\$ 44.3
Construction	Transit Utilities	\$ -
Other Capital Outlay	Transit Utilities	\$ 5.0
Interest on Debt	Transit Utilities	\$ -
Current Ops	Water Utilities	\$ 274.4
Construction	Water Utilities	\$ -
Other Capital Outlay	Water Utilities	\$ 20.0
Interest on Debt	Water Utilities	\$ -
Employee Retirement	Withdrawals	\$ 0.0
<b>Total</b>		<b>\$ 14,062.8</b>