

VERMONT DEPARTMENT OF TOURISM & MARKETING



## Benchmark Study of the Impact of Visitor Spending on the Vermont Economy: 2013

### Tourism is Vital to Vermont

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This study reports tourism activity during calendar 2013, the fourth year of Vermont's and the United States' slow recovery from the Great Recession of 2009.

## **2013 Benchmark Report**

### **Introduction to the Benchmark report**

This is the sixth Benchmark report developed by the Vermont Department of Tourism and Marketing. The purpose is to describe qualitatively and quantitatively the impacts of tourism on the Vermont economy. These impacts include jobs and income for Vermonters, revenue for state and local governments, and improved cultural and recreational opportunities for Vermont residents.

This study reports on tourism activity during calendar 2013, the fourth year of Vermont's and the United States' slow recovery from the Great Recession of 2009. That recession had a significant impact on visitor activities consistently reflected in a downturn in tourism's economic metrics. The early signs of recovery are apparent in the 2011 Benchmark report. This report shows continuing recovery to levels comparable to the pre-recession, mid 2000s.

A focus on tourism activities is important in considering the Vermont economy. Tourism represents almost eight percent of Vermont's Gross Domestic Product (GDP) and with significant amounts of money spent in Vermont by visitors. This spending from out-of-state visitors allows the Vermont economy to balance Vermonters' purchases of out-of-state goods and services. In addition to balancing spending into and out of the state, jobs associated with tourism and recreation are known to include not only professional and management careers, but also entry level positions that provide experience, part time employment and recreational access for young workers, adults seeking seasonal income for their household, and semi-retired seniors.

Tourism is one of several economic sectors in Vermont. While this report is an effort to isolate specific dollar flow and employment opportunities associated with the sector, it is equally important to recognize the overlap of tourism with other Vermont economic sectors. Because tourists spend time in Vermont, they carry out many of the same activities as do residents. For example, they purchase snacks at convenience stores, put money in parking meters and buy gasoline for their vehicles. In each case, the contribution of tourism dollars expands the scale and therefore efficiency of Vermont retail activity and service delivery. Another specific example is recreation. The broad range of recreational opportunities in Vermont is an important attraction for out-of-state visitors and Vermont residents enjoy those same recreational opportunities, enhancing their own quality of life. In a similar fashion, housing in Vermont provides accommodations to Vermont's visitors. In the case of second homes, those units are options for full time residents, either for visitors that decide to make Vermont home or for Vermont residents in the market for appropriate housing.

Another example is the overlap of marketing Vermont for both tourism and business recruitment. Many of the same attributes that are attractive for visitors – aesthetic beauty, low traffic, high

quality foods and broad collections of cultural activities, are equally important to those considering moving households and business activities to the state. Therefore, the regular monitoring of visitor activity is a useful indicator of the overall attractiveness of the state.

In fact, tourism contributes to all economic sector activities in varying degrees. As a consequence, the analysis of isolated tourism impacts is complicated and the results included in this report are to be reviewed with that recognition in mind.

The dollar values in this report are estimates. While every effort is used to pursue precision to the numbers, several data sources are either dated or rely on survey responses that may not be an accurate reflection of true spending patterns. The dollar values in this report may not be precise, but consistent methodology compares reported values over time and in some cases, compares Vermont economic figures with the United States and neighboring states. ***Changes over time and comparisons to other states should be the focus for readers rather than the specific dollar figures.***

With these considerations as a preface, the following are summary highlights of Vermont tourism economic activity.

## Summary of Impacts

Visitors to Vermont spend almost \$2.5 billion per year on the following expenses (including second home expenses):

	2013 Spending	2003 Spending
Lodging	\$430 million	\$320 million
Restaurants and bars	\$400 million	\$275 million
Gasoline sales	\$150 million	\$65 million
Groceries and Convenience stores	\$150 million	\$100 million
Other retail sales	\$220 million	\$150 million
Recreation and Entertainment	\$300 million	\$200 million
Travel expenses (airline, other public transportation)	\$140 million	\$100 million
Automotive rentals	\$30 million	\$25 million
Second home expenses		
Construction and renovation	\$200 million	\$150 million
Property taxes	\$240 million	\$140 million
Utilities and fuel	\$125 million	\$80 million
Maintenance, insurance and management	\$105 million	\$70 million
<b>TOTAL</b>	<b>\$2.49 billion</b>	<b>\$1.75 billion</b>

To support these activities, more than 30,000 Vermonters are employed and have wages and business income of more than \$850 million. The induced impacts of wages and business income add an additional \$690 million of economic activity in the state.

In addition to the purchases made by travel consumers, several businesses make significant investments in their infrastructure to support travelers. The most visible of these investments are the construction projects for lodging and recreation facilities. Vermont businesses consistently invest more than \$100 million per year in these construction projects.

The estimate of dollar expenditures is based on the determination of traveler volumes in the following categories:

- Overnight visitors using commercial lodging – 1.6 million visitors spending \$790 million
- Overnight visitors using second homes – 1.7 million visitors spending \$495 million
- Overnight visitors using campgrounds – 300,000 visitors spending \$35 million
- Overnight visitors staying with friends and families – 1.9 million visitors spending \$255 million
- Day visitors and drive through traffic – 7.3 million visitors spending \$265 million

Note: *These spending figures do not include expenditures for building and maintaining second homes.*

## How to Measure Visitation

Different tourism economic studies refer to several different measures of tourism activities. This report provides several of those measures.

Number of visits – Every time a household or group of individuals leaves home and visits Vermont, it is considered a visit. Vehicle counts crossing the border is one representation of the number of visits.

Number of visitors – In most cases, visitors arrive with family or friends. While a single car represents a “visit”, if there are four people in the car, they represent four visitors.

Visitor nights – The largest of the tourism numbers is the product of visits, the number of people in a party (household or other group) and the number of nights that the visitors stay in Vermont. For example a single visit of a family of 4 that spends 6 nights in Vermont is 24 visitor nights.  
(1 X 4 X 6)

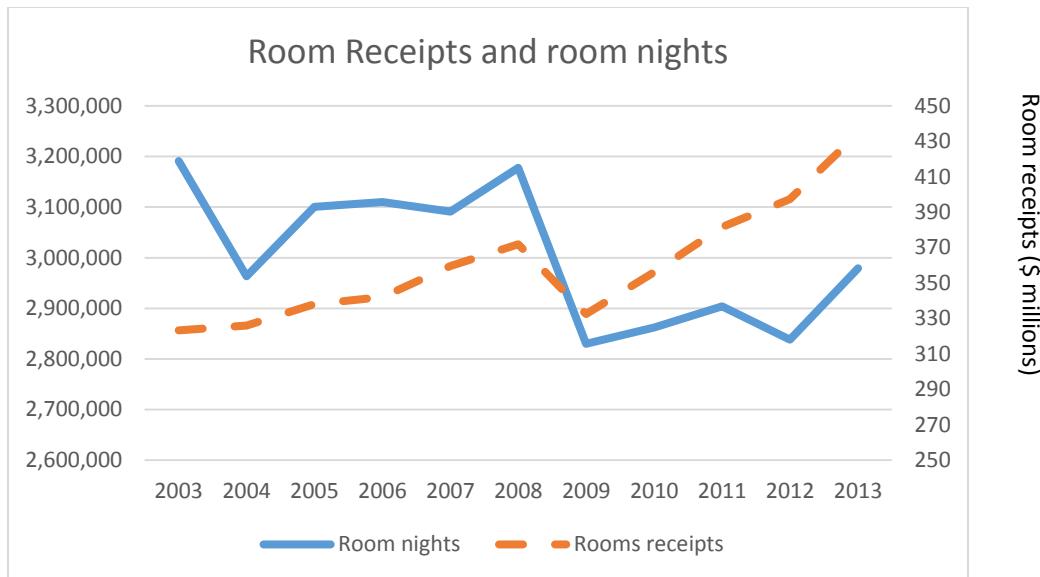
Room nights – Hotels and campgrounds typically rent out rooms or sites for a number of nights to a single visiting group. The number of room nights is closely aligned with the tax revenue paid by businesses renting rooms and campsites.

A significant challenge in having this range of measures is assigning dollar values for specific travel related expenses. Surveys struggle with dollars reported for trips, visitors, visitor nights and room nights.

### Overnight visitor calculation – using hotels and inns

The dollar value of overnight lodging is consistently collected by the Vermont Department of Taxes as the basis for collecting the Rooms Tax. The number of lodging nights is the receipt total divided by the average room rate. The following table shows recent trends in room receipts and calculated room nights.

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013



In 2013, taxable room receipts continued the steady progress of the past ten years. However, unlike slow losses in the number of room night rentals, Vermont had an increase in room nights during 2013. The product of room nights and average occupancy rates provides a total number of visitor nights. Each year, the Department of Tourism and Marketing issues a survey of lodging businesses that includes a query for occupancy per room and for 2013, the average number of people per room is 2.45, weighted for volume.

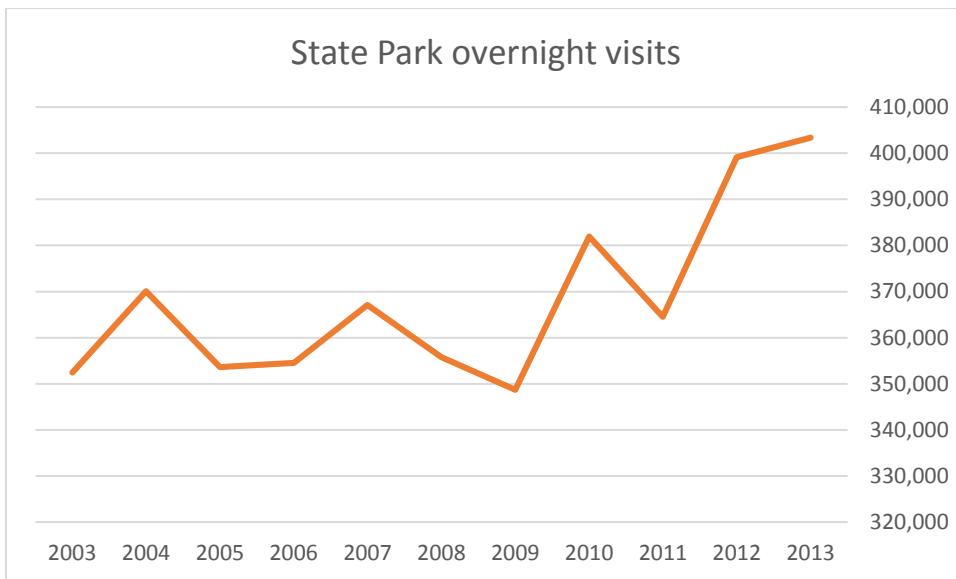
The number of visits is determined represented by the room rentals. The visitor survey from TNS estimates that Vermont overnight visitors spend 4.84 nights in Vermont per trip.

### Summary of visitors to Vermont using commercial overnight accommodations:

- The number of room nights rented using this data is 3.0 million
- The number of visitor nights is 7.1 million
- The total number of overnight visitors is 1.6 million
- The number of overnight visits is 0.62 million

### Overnight visitor calculation – using campgrounds

Campgrounds have not been explicitly included in past benchmarking studies. The Vermont Department of Forest and Parks reported in 2013 that there were 403,000 camper nights spending \$3.2 million in camper fees. These numbers are up about 10% from recent trends over the past ten years.



Source: Vermont Forest and Parks

There are 2100 sites and 600 lean-tos at the State Parks. In addition to the State Parks, the Vermont Campgrounds Association reports the number of privately owned campgrounds and sites available for visitors. These private campgrounds add another 4,000 sites. Scaling up the state numbers suggests an additional 600,000 campers. Of the total number of campers that visit state and public campgrounds, 55 percent come from out of state (Vermont State Parks data), suggesting about 550,000 camping visitors from out of state and 450,000 in-state camping visitors.

### Summary of Non-resident Camping

- The number of campsite nights rented = 0.33 million
- The number of camper nights = 1 million
- The number of visitors using camping accommodations = 0.3 million
- The total number of visits represented by camping = 0.1 million

### **Overnight visitor calculations – Using second homes**

In addition to visitors staying in overnight accommodations and campgrounds, many visitors stay in housing that they own as second or vacation homes. The most visible second homes are those near ski areas (for winter visitors) or lake shores (for summerfolk). For the purpose of the analysis in this report, we use the figure of 45,000 second home owners, most of which are out-of-state, but all of which reflect “visitors”.

In 2010, the Economic Policy and Research (EPR) group that authored the Tourism Benchmark report for the year 2009 contracted with a survey team to complete a thorough survey of more than 1,000 second home owners to determine visitation and spending patterns.<sup>1</sup> The survey asks each second home owner, how many trips per year, those homeowners and guests make. An average of the responses is 10 trips per unit. The average party size for a second home visit is 3.7 as reported by EPR in 2009.

Using the results of the survey and an estimate of second homes = 45,000, there are more than 450,000 visits to second homes resulting in more than 1.6 million occupancy nights and almost 8 million visitor nights for second homes. To put this number in context, there are about 225 million occupancy nights for Vermont residents in their own residence each year. The most consistent measure of vacation home numbers is from the US Census Bureau because of their requirement to contact each residential property for the census count of population. From Census statistics, the number of seasonal homes in Vermont has increased from 43,060 in 2000 (14.6% of the Vermont housing stock) to 50,198 in 2010 (15.6% of the Vermont housing stock). These statistics suggest and anecdotes support that second homes are a growing portion of not only the profile of Vermont housing stock but the profile of accommodations for Vermont visitors.

### **Summary of visitors to Vermont with second homes**

- The number of visit nights (equivalent to room nights in hotels) is 2.2 million
- The number of guest nights is 8 million
- The number of visits associated with second homes is 0.45 million
- The number of visitors is 1.7 million

In addition to statistics regarding the use of the second homes by second home owners, the EPR survey reports visits per year of non-owners. These figures are included in the next section for visitors using private homes.

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<sup>1</sup> Earlier uses of the 2010 survey responses rejected a large number of responses based on deviation from the mean. However, many of the rejected responses were from those that spend long periods (greater than 30 days) at their vacation home. In many cases, these rejected responses were from lake property owners that may very well have stayed for the summer. Those rejections also rejected some of the higher dollar estimates for groceries and other visitor expenses. This report includes those responses but also cross checks estimates on expenses (groceries, transportation, etc.) with total economic activity measures.

### **Overnight visitor calculation – using “private” homes**

In addition to second homes, some visitors stay with families and friends.

A study completed in 2005 on friends and family suggests that the number of out-of-state visitors coming to Vermont and staying with friends and family is 1.28 million. In that study, more than half (58%) of Vermont homeowners and tenants report that they entertain visitors during the year.

Using the number of households in Vermont as 256,000 (2012) and adding second home owners provides a base of possible visitor sites = 320,000. Additional survey results on the number of visits per year, the number of visitors per visit and the average duration of a visit, provide an estimate of the visitor volume from friends and family.

### **Summary of visitors to Vermont using private homes**

- Number of visitors ( $840,000 \times 2.3$ ) = 1.9 million
- Number of visitor nights = 5.0 million
- Number of visits ( $320,000 \times .58 \times 4.5$ ) = 840,000

Consistent with these figures, the TNS survey identifies that 35% of the total visitors do not use paid hotels and inns but rather stay in “private homes”. This will include second homes and homes owned by friends and family.

### **Grand total**

Type of visit	Visits	Visitors	Visitor nights	O'night stays
Overnight lodging	600,000	1,600,000	7,100,000	3,000,000
Second home	450,000	1,700,000	8,000,000	2,200,000
Campgrounds	100,000	300,000	1,000,000	300,000
Friends and Family	800,000	1,900,000	5,000,000	1,800,000
Day trips	1,000,000	2,300,000	---	---
Drive through	2,000,000	5,000,000	---	---
<b>TOTAL</b>	5 million	13 million	21 million	7 million

To put the visitor night number into context, Vermont residents spend about 225 million nights in their homes. Therefore, on average, somewhat fewer than 10% of people spending the night in Vermont are non-residents staying in hotels, second homes, campgrounds and private homes; however, the percentage is greater for weekends and holiday periods.

Unlike past studies, this report does not consistently include the dollar expenditures of Vermonters taking trips in the state. In some cases, such as for lodging receipts and second home visitors, Vermont resident activity is included. In other cases, such as day trips, Vermont resident activity is not included. The definitions of in-state visits (typically, a non-commuting trip greater than 50 miles) are too difficult to refine to provide a consistent analysis of this travel audience. However, Vermonters do take advantage of the same attractions and amenities that draw out of state visitors.

For example:

- Vermonters use overnight camping (450,000 camping nights) and day visits to State Parks account for another 400,000 visitor days;
- Vermonters account for almost 1 million skier days at our state's ski areas;
- Approximately 8,000 Vermont households own second homes in the state; and
- Almost all Vermonters take advantage of cultural experiences such as concerts, theater and fairs.

### **Day visitor calculation**

The TNS survey reports that for every overnight visitor, there are 0.3 day visitors. Using the visitor numbers from lodging and second homes as a baseline, this amounts to 2 million out of state day visitors to Vermont. The definition of a visitor will influence this number significantly, again considering the casual border crossings from New Hampshire, Massachusetts and New York: how many of those should be considered as tourism "visits?" When considering dollar impacts, using a lower estimate of these visits is appropriate, as the dollar expenditures from casual visits is minimal.

0.8 million day visits  
2 million day visitors

### **Drive through visitors**

Vermont Interstate highways 89 and 91 provide access between New Hampshire and southern New England and the Montreal/Eastern Townships/ Quebec City region of Quebec. Vehicles and passengers using these interstates may not have Vermont as a destination but use traveler services in Vermont including gasoline and meals. As described in more detail below from Canadian border crossing data, more than 1.5 million vehicle crossings take place each year as Canadians pass through Vermont on their journeys to New Hampshire, Maine, Massachusetts and other southern New England destinations. Similarly, an additional 0.5 million American visitors pass through Vermont on their way to Canada.

2 million pass through trips

5 million pass through visitors

## Vermont Visitor Origins

### Domestic visitation

In 2009, the survey from TNS had a larger sample size that allowed for the determination of visitors to Vermont from different states (but still may suffer from significant statistical variation). The EPR study of second home owners provides a profile of the home states for Vermont second home visitors.

	Overnight visitor home state	Second home owner primary residence
New York	25%	13%
Massachusetts	14%	17%
New Jersey	8%	9%
Florida	7%	7%
Connecticut	6%	21%
Other states	34%	18%
Vermont	7%	15%

(Canadians represented less than 1% of the survey respondents in both studies as they targeted U.S residents)

Together, these numbers provide a sense of where Vermont visitors come from and it is clear that the large majority come from a 3-500 mile driving range.

### Canadian visitation

Statistics Canada has survey data that provides specific Canadian visitor numbers and visitor nights. These data are useful for affirming the relationships among the overnight, day trip and drive through calculations described above

These numbers are used directly for estimating:

- Visitor numbers
- Visitor nights
- Visitor expenditures

For 2013, the statistics show that there were 0.667 million “visitors” to Vermont from Canada. This includes 1.798 million visitor nights. If those nights adhere to the same 4.84 nights per visit, then Canadian overnight visits = .4 million and .3 million visits are considered day visits.

Total Canadian crossings = 2 million

Mass = 0.7 million

NH, ME, RI, CT = .6 million

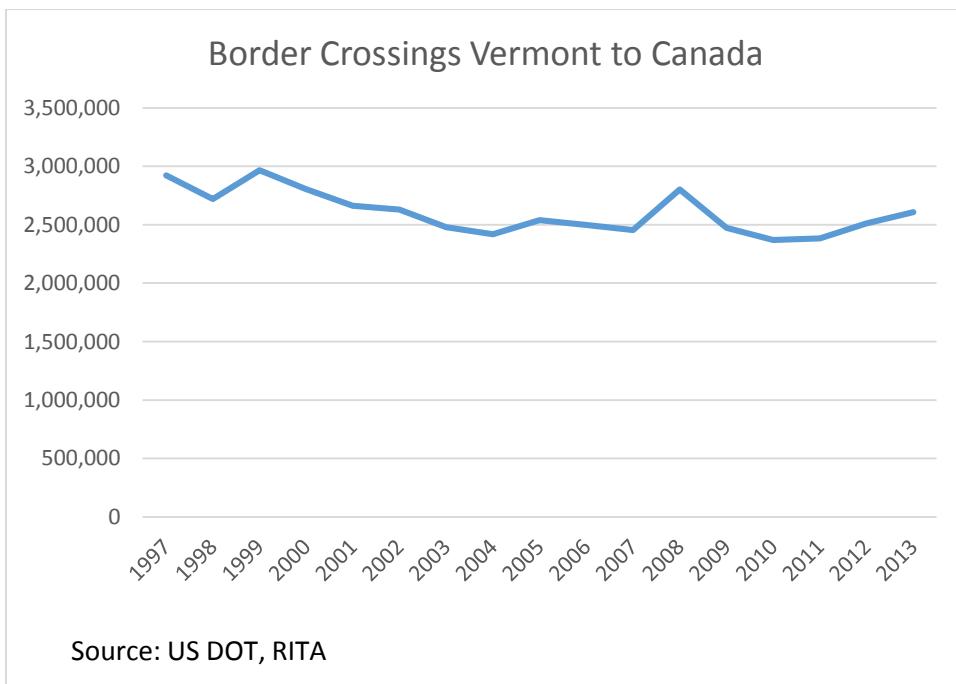
Total VT crossings = .7 million

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

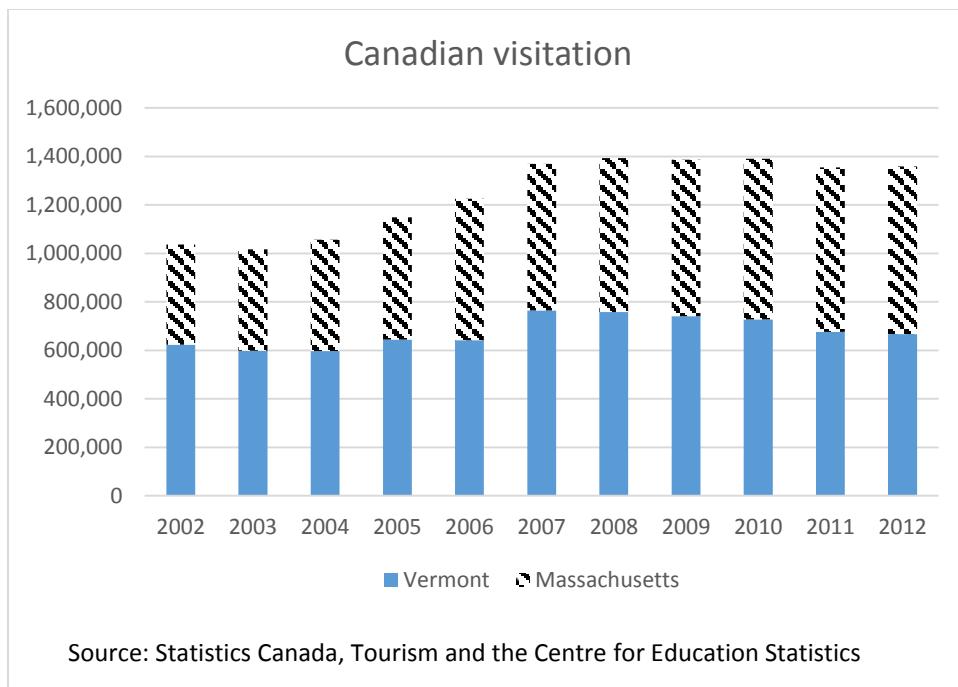
Past reports show a much larger number of Canadian visits. This may appropriately include those border crossings that have NH, MA, CT, ME and RI as destinations and those visitors are passing through. If we include those as day visitors (and consider the possibility that each crossing represents two days – coming and going,) then we would have .4-.5 million overnight visitors and 1.6- 1.7 million day visitors (or more) including 1.45 million pass through visitors (about 4,000 per day, or 2,000 vehicles).

Border crossings represent:

- Day trips
- Overnight visits
- Drive through
- Work (day visits, not counted as tourism activities)



## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013



### International travel

Past benchmark studies used survey data from the Office of Travel and Tourist Information (OTTI) – an office of the US Department of Commerce. State specific data is not yet available for 2013, and that state specific data suffers from reliability due to the difficulty in recording foreign travelers that visit multiple states – very important for visitors coming to New England and spending time in Massachusetts, New Hampshire Maine and Vermont. Despite these limitations, it is valuable to review international travel data, in part, because international travel volume is increasing while domestic visitation is relatively flat.

The following figure shows that the volume of international travel to the United States has almost doubled in the past ten years. This trend is reflected in both traveler numbers and dollars spent. The economic impacts of international travelers are captured in the other calculations used in this report for determining dollar volumes and employment.



### Trends in Travel to Vermont

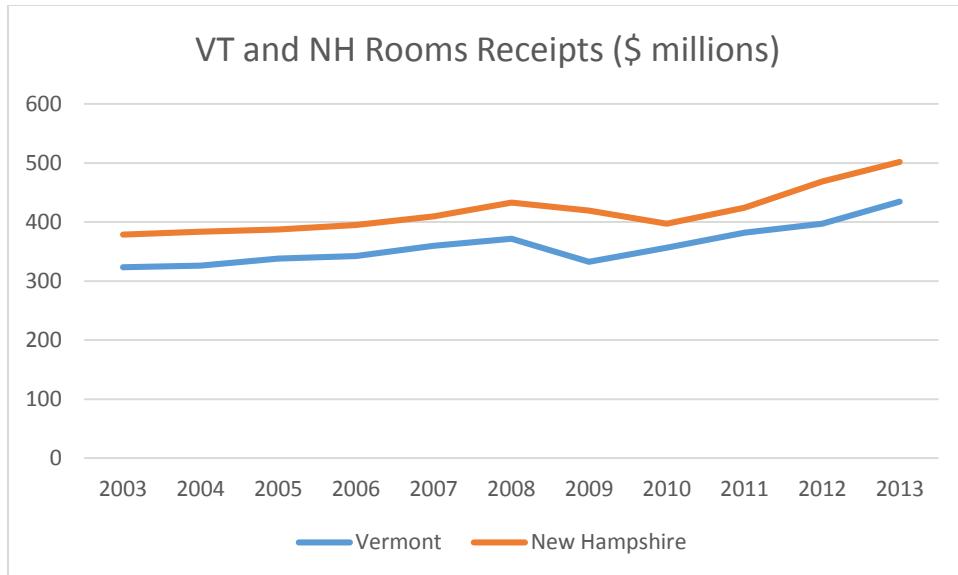
This benchmark study is the sixth in a series produced by the Vermont Department of Tourism and Marketing. As such, this report includes several examples of data that show trends in tourism activity. For hotel room nights, border crossings and weekend travel indicators, those reports suggest slow decreases in the number of visits or visitors.

In contrast to visitation numbers, this Benchmark report shows that taxable commercial room receipts, along with most other categories of tourism activity, are increasing above the rate of inflation.

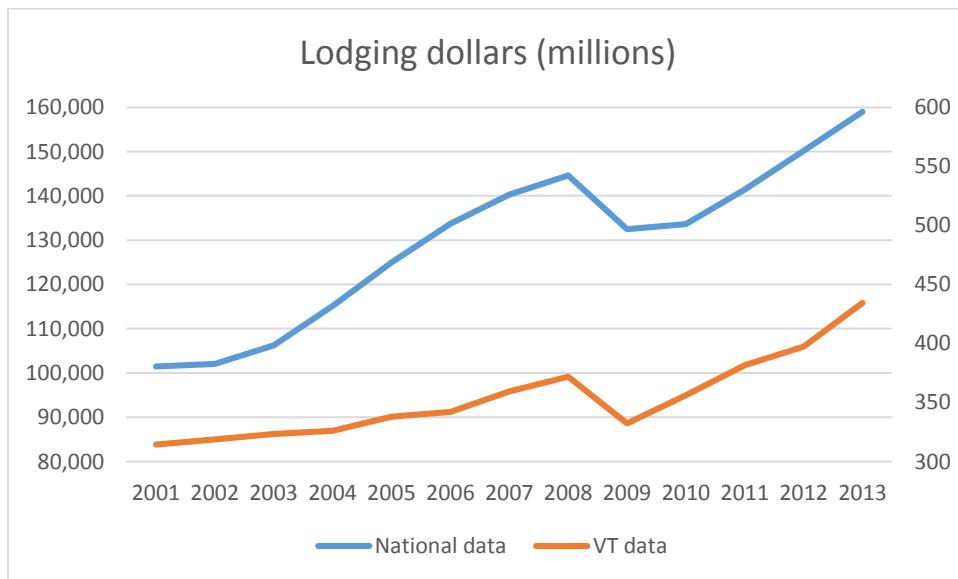
Both the lack of growth in visitation and the increase in commercial room receipts are consistent with the profile of tourists in the northeast and throughout the U.S. Taking a vacation is a decision that families and households make based on available time and disposable income. As has been highlighted in many economic reports, growth in income in the United States has been focused on higher income families and households for several decades. The population of affluent Americans able to make significant vacation plans becomes more concentrated in the upper income households, resulting in a contracting base of potential travelers. The income available for vacations has grown for those in the upper income families and households. The result is more tourism dollars spent in Vermont.

Evidence that the tourism trends in Vermont are a reflection of larger national trends is available when reviewing data from other states. New Hampshire lodging receipts show a pattern very similar to Vermont's.

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

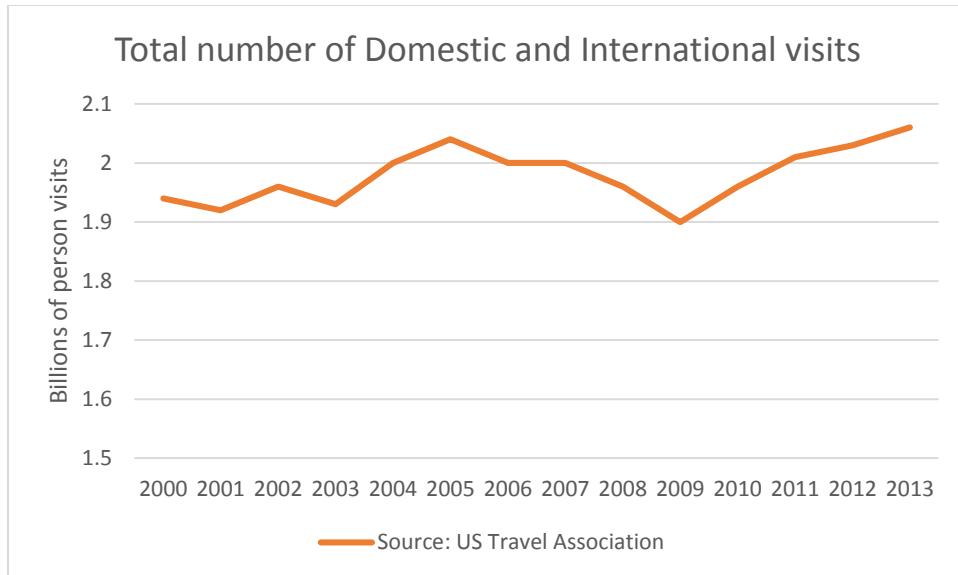


National level data on tourism spending is also a close match to the Vermont data.



As with other economic activities in Vermont, primary drivers for Vermont as a travel destination are the trends in domestic travel and those of foreigners visiting the United States. Combined domestic and foreign travel in the United States has been flat over the past 14 years, with some increases during economic expansion and reduction during the Great Recession.

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013



## Spending Patterns

In order to evaluate the economic impact of tourism in Vermont, this report considers several categories of visitors, each with distinctive spending patterns:

- Visitors using overnight, paid lodging
- Second home owners
- Overnight visitors spending time with friends and family
- Overnight camping
- Day travelers and
- Those driving through Vermont on their way to other destinations

For example, only overnight lodgers contribute appreciably to lodging receipts while second home and campers spend a greater proportion of their food budgets on groceries compared to taxable meals at restaurants.

This study focuses on the following expenditure categories

- Lodging
- Food and Beverages in Restaurants
- Food and Beverages from Grocery and convenience stores
- Retail purchases (clothes, souvenirs, local products)
- Gasoline
- Recreation and Entertainment
- Other travel (includes rental cars, air fares and other intercity transit)

(figures in millions)

	Lodging	Restaurants	Groceries	Gasoline	Retail	Rec and Entertain.	Other travel
Overnight lodging	\$420	\$175	\$30	\$20	\$30	\$75	\$60
Second home	---	\$150	\$50	\$15	\$120	\$100	\$60
Campers	\$10	\$3	\$5	\$5	\$3	\$10	---
Friends and Family	---	\$35	\$30	\$30	\$25	\$50	\$70
Day trips	---	\$15	\$10	\$40	\$25	\$65	---
Pass through	---	\$25	\$15	\$50	\$20	---	---

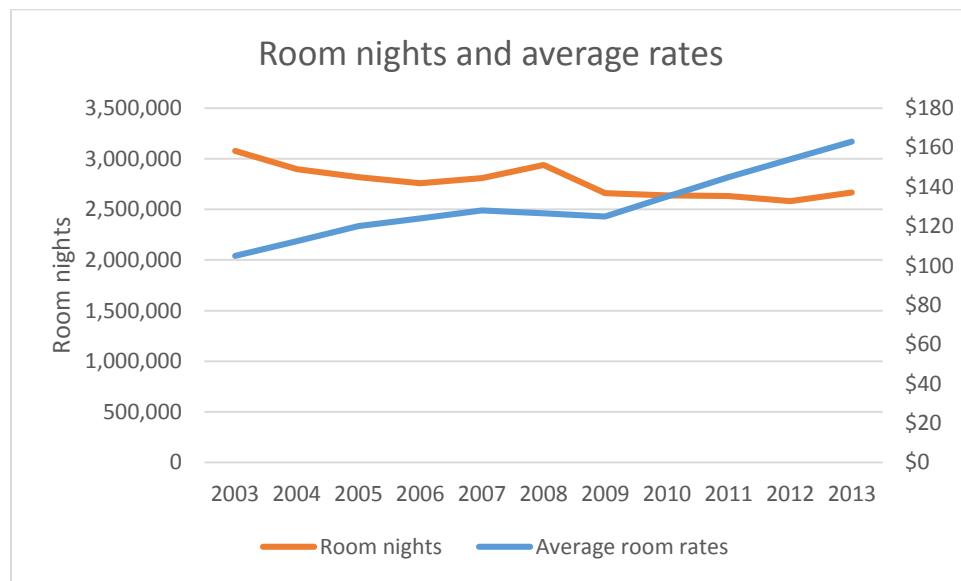
### Visitors using overnight, paid lodging

The first category to consider is the visitor that uses hotels, motels, inns and lodges for their overnight accommodations. The Vermont Department of Taxes collects tax for each of these transactions and the Vermont Department of Tourism and Marketing completes a survey of lodging owners to understand trends in visitor activities including their spending behavior. In addition, these visitors provide information to a national level survey of travelers that identify additional characteristics of their visit including their primary purpose for visits.

Having multiple sources of data adds confidence to the numerical estimates for these visitors' spending habits.

**Lodging** is the most straight forward category of expenditures for visitors. Those visitors using taxable lodging account for the receipts as reported from the Tax Department. In addition, the camping fees for overnight camping can be included in this category.

The number of rooms rented and the number of person nights has declined somewhat over the past several years. However room rates have increased that result in an increase in taxable room receipts seen in the past 10 years.



**Food and Beverages in Restaurants** generate spending by every type of visitor. Those staying in hotels spend the most per person per day. The TNS survey provides one estimate for food spending by visitors. The most reliable figure from this survey is the restaurant expense which averages \$25/ visitor /night. Other surveys of business travelers suggest higher values (\$50 per

person per day), but households on vacation may not spend those high levels, may use lower cost restaurants. This report uses the lower value so as not to overestimate the impact.

Visitors using second homes use restaurants in a fashion similar to affluent, full time residents during their own leisure time (weekends and holidays). The Consumer Expenditure Survey<sup>2</sup> suggests that northeastern state residents with household incomes greater than \$70,000 per year spend about \$40 per week and if that is concentrated into weekends represents about \$20 per day. The second home survey suggested \$40 per day for Vermont second home owners. Again, to use lower values, this report uses the \$20 per person per day value.

Visitors staying with friends and family may not have the same level of affluence as second home owners and their restaurant usage will follow more median level expenditures. The Consumer Expenditure Survey suggests closer to \$7 per person per day for leisure time restaurant expenditures.

Camping households, friend and family guests and drive through visitors may occasionally use restaurants and a very low figure of \$3 per person per day is assigned to these visitors.

Day visitors and drive through visitors rely on restaurants and the TNS survey suggests that they spend about \$5 per person per day on restaurant purchases.

The total for restaurant spending for Visitors in Vermont is approximately \$400 million. This figure is consistent with national data when comparing lodging revenue to revenues from restaurant meals. In almost all cases, the dollar value for restaurant purchases is somewhat less than lodging revenues. \$400 million represents between 35 and 40% of total restaurant expenditures in Vermont, again consistent with previous studies. The remainder of restaurant spending (approximately \$500 million in 2013) is done by Vermont residents and some of this could be considered leisure time spending but is not included in this study.

### **Food and Beverages from Grocery and Convenience stores**

All visitors eat and drink and when food is not purchased from restaurants, it may be purchased from grocery and convenience stores. Unlike restaurant purchases, grocery store purchases are greater for second home users, campers and those staying with friends and family.

In Vermont, approximately \$1.5 billion is spent at grocery stores and convenience stores during a year; visitors may account for at least 10% of this spending, or \$150 million. The 10 percent figure is based on the total number of visitor nights in Vermont compared to residents' overnight occupancy.

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<sup>2</sup> The Consumer Expenditure Survey is a product of the United States Census Bureau produced each year. Data is available for different regions of the country and for households by income.

Earlier reports using survey results arrive at a similar figure without breaking down the source of spending from the different visitor types.

**Retail purchases** are made up of many different kinds of sales. This analysis considers both sales traditionally considered as tourism related (clothing, art, souvenirs) and purchases necessary to support second homes. Visitor patterns in the United States show that more than 20% of vacationers list shopping as a primary purpose for their trips. While Vermont visitors put less emphasis on shopping, it remains one of the important aspects of tourism activity. The volume of tourism shopping dollar expenditures decreases on a per night basis for those visiting frequently or for long periods. This means less retail activity for second home users and more for day visitors and those staying in hotel/motel type, short term lodging.

In addition to the tourism related shopping associated with visitors, second home owners also make household purchases for use in their homes. In Vermont, furniture, appliances and electronics are all subject to the sales tax while clothing is not, making the second home purchases a greater share of taxable purchases.

Survey data suggests retail purchases in the range of \$10 per person per day. Using that estimate would yield total retail sales in Vermont from visitors (\$220 million) equal to 10% of the overall state retail sales volume. Because the spending per day estimate does not include day visitors or larger purchases by second home owners, the 10 percent figure is a conservative basis for estimates in this report.

**Gasoline sales** are less dependent on the type of visitor and more dependent on the total miles travelled within the state. For this reason, the report bases gasoline sales on the proportion of vehicle miles travelled that can be assigned to tourism travel, and that includes day trippers and pass through visitors equally with those spending extended stays in overnight accommodations on a per trip basis, and not a per night basis. The average travel on Vermont roads for a visitor to Vermont is about 150 miles. Gasoline sales are one spending category that have large dollar values for day visitors and drive through visitors. These visitors represent 60 percent of visitor miles travelled in Vermont and the total of visitor miles account for more than 15% of the state's annual vehicle miles travelled. To fuel this travel in 2013, visitors spent \$150 million on gasoline purchases.

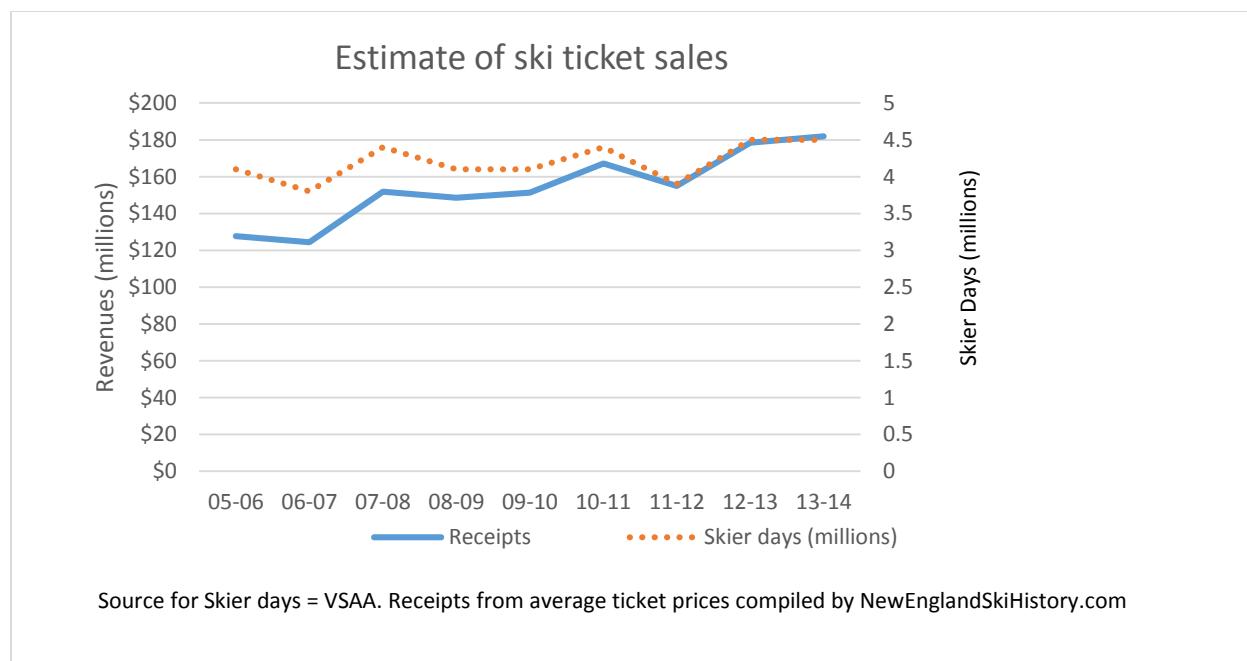
## Recreation and Entertainment

Second only to visiting family and friends, recreation and entertainment are a focus of visitor traffic in Vermont. The dollars spent on these activities are distributed across the extensive range of activities available in the state.

### Skiing

Skiing plays a special role in Vermont tourism. In general, tourism in New England is focused on the summer months. In New Hampshire, lodging receipts during the summer months (July and August) are almost three times the value of receipts for January and February. Skiing and other winter sports provide Vermont a boost of activity that partially evens out the monthly distribution of visitor activity. Vermont's lodging receipts in July and August are only slightly higher than those in January and February.

The Vermont Ski Area Association tracks skier volume and this report uses average ticket prices to develop a measure of the economic activity gauging the direct expenditures for downhill skiing.<sup>3</sup>



<sup>3</sup> The ticket sales calculation is based on the number of skier days multiplied by an average ticket price. Posted ticket prices are higher than the average amount spent per day for tickets due to package pricing and seasons passes. To accommodate for this decrease in ticket yield, a yield factor of 50% adjusts average prices. The ticket receipts do not include other expenditures at ski areas such as rentals, lessons and food.

#### Other winter activities

In addition to downhill skiing, Vermont hosts cross country skiing, snowmobiling, ice boating, dog sledding, and ice climbing. Not all of those activities require entry fees, but snowmobiling in Vermont does require registration fees for public trail use. In 2013, the Vermont Association of Snow Travelers (VAST) and the Department of Motor Vehicles collected more than \$1 million for snowmobile permits purchased by non-residents. In-state residents paid an almost equal amount.

#### Golf

Vermont is home to 74 golf courses. The 2007 Census of economics reports that Vermont golf courses and country clubs received \$26.5 million in fees. While much of this is from in-state residents, visitors contribute a significant portion to the overall receipts.

#### Music concerts and festivals

The Census reports that Vermont concert and festivals received more than \$12 million in 2007 for “live performing arts”. Annual reports of the largest of these businesses in Vermont including the Flynn Center for Performing Arts and Catamount Arts show that individual organizations represent large proportions of this amount.

#### Movie theaters

Vermont movie theaters receive more than \$20 million per year in movie ticket receipts. In addition, Vermont is the home to several movie festivals that attract out-of-state visitors.

#### Bike touring

Vermont is the home to several tour companies that emphasize bike touring. In addition, bike tours take place in Vermont whether the tour company is Vermont based or based in other states.

#### Participant sports

An increasing number of visitors come to Vermont to participate in athletic events such as the Burlington City Marathon (more than 3,000 in 2013), the Green Mountain Stage Race (more than 500 in 2014), the Killington Spartan race (11,000 participants in 2014) and the Lake Champlain Invitational fishing derby. The registration fees for some of these multi day events are greater than \$100 representing hundreds of thousands and even a million dollars per event per year.

#### Boating

The 2007 Economic Census reports more than \$6 million in boating costs paid to Vermont businesses.

**Non-competitive hunting and fishing**

The Vermont Department of Fish and Wildlife provides fishing and hunting licenses to out-of-state residents. In 2013, the Department sold more than 38,000 non-resident fishing licenses and 9,000 non-resident hunting licenses. The license fees associated with these activities is more than \$2 million in 2013.

**And lots of others**

Visitors come to Vermont for many activities such as bird watching, craft shows, educational workshops, food festivals and spas. Each represent several businesses in the state and results in revenue that goes beyond the lodging, food and transportation services that are described as other spending categories in this report.

**The bottom line**

Starting with ski area receipts at \$180 million, the total of recreation and entertainment visitor spending in Vermont is well over \$300 million per year.

**Travel costs**

The travel costs category of expenditures is largely related to visitor spending associated with arriving in Vermont via air, rail or bus and the rental of cars for travel in Vermont. The distribution of these costs is concentrated in the visitors using overnight accommodations and second homes and staying with friends and families. Campers, day visitors and pass through visitors do not use these travel services to a significant degree.

Air travel – during 2013, the Burlington International Airport (BTV) had more than 600,000 passengers board flights. The average ticket price for flights originating in Burlington was \$435 representing total air revenues of more than \$260 million. One half of those revenues are assumed to be for travelers originating in Burlington and one half (\$130 million) for passengers visiting Vermont from other airports. While all of these are travel costs, the \$130 million figure is assigned for Vermont travel.

Rail travel – The use of the two Amtrak services in Vermont grows slowly. During Federal Fiscal Year 2013, there were more than 130,000 riders spending more than \$8 million in fares.

Rental cars – The dollar volume of rental car use in Vermont is tracked for the purpose of the vehicle Use tax. In 2013, rental car receipts totaled more than \$40 million.

Intercity bus travel and tour busses – There is no central data source for tracking intercity bus receipts in Vermont. Greyhound (replacing Vermont Transit) is the largest intercity bus carrier. Several motorcoach tour operators are located in Vermont, and out-of-state operators provide many tour bus packages for those visiting Vermont.

### **Second home owners**

In addition to the expenditures that most visitors face, second home owners have costs associated with the operations and maintenance of their vacation homes. The total value of second homes estimated from the Vermont Department of Property Valuation and Review (PVR) is more than 20 percent of the value of all residences equaling more than \$10 billion. Therefore, construction and renovation of second homes is a significant portion of the overall residential construction economy.

However, limited occupancy reduces some of the costs for these homes. To get a rough estimate of dollars spent for second home operations and maintenance, 10 percent of the overall state total for the following categories is assigned to second home owners.

Construction and repair – Construction GDP in 2012 is reported by the US Bureau of Economic Analysis at \$1.14 billion. The receipts to generate this figure are in excess of \$1.5 billion. Construction payroll for 2012 was about \$637 million for 2012. If 10 percent of the construction activity is assigned to second homes, the value of construction is \$150 million. Building repair costs including new roofs, painting and heating system repair add to this total.

Many other costs are reported by the US Census Bureau Consumer Expenditure Survey. This survey identifies a few categories of home owner expenses for which the 45,000 second home households face as costs. As with construction costs, lower occupancy rates in second homes translate to a smaller share of the overall cost estimates.

	Household costs in the Northeast US (per household)	Second home costs in Vermont (\$ millions)
Heating and electric utilities	\$5,105	\$130 million
Insurance and management fees	\$2,062	\$50 million
Other Household expenses	\$2,116	\$55 million
<b>Total Second home costs</b>	<b>\$9,283 per household</b>	<b>\$235 million</b>

**Tax revenues**

The expenditures in Vermont by visitors also provide tax revenue to the state and to municipalities.

The dollar value of the taxes is:

Vermont Income Tax	\$27 million
Meals and Rooms Tax	
Meals	\$25 million
Alcohol	\$6 million
Rooms	\$37 million
Sales Tax	\$34 million
Property tax (Ed fund)	\$176 million
Property tax (local government support)	\$66 million
Gasoline tax	\$12.4 million
Purchase and Use tax (Transportation fund)	\$2.5 million
<b>TOTAL</b>	<b>\$385 million</b>

## Trends in Travel

### What are the factors that drive visitation to Vermont?

#### The economy

Leisure travel is considered an optional activity for most households. As a result, the volume of leisure travel is determined by the amount of available or disposable income. During the recession of 2009, income levels dropped and disposable income dropped as well. Tourism dollars spent in Vermont and elsewhere decreased matching the overall reduction in household income.

Because travel is an optional activity, higher income households participate in travel at higher rates and with higher expenditures than do lower income households. During a 2014 meeting sponsored by the US Travel and Tourism Association, Ron Kurtz of the American Affluence Research Center reported that 60 percent of tourism dollars are spent by the top 10 percent of US households by income. A better indicator of overall travel expenditures is the income levels of these higher income households.

#### Attractions

The Vermont Tourism Research Center at the University of Vermont periodically circulates a survey at State Welcome Centers, attractions and state parks. During the period June, 2012 through February, 2014 visitors noted the following as activities they would undertake while in Vermont.

	Age under 50	Age 50 and over
Sightseeing	73%	78%
Hiking and Backpacking	47%	29%
Food and drink experiences	44%	40%
Shopping	42%	49%
Farms and Farmer markets	36%	36%
Historic sites and museums	32%	47%

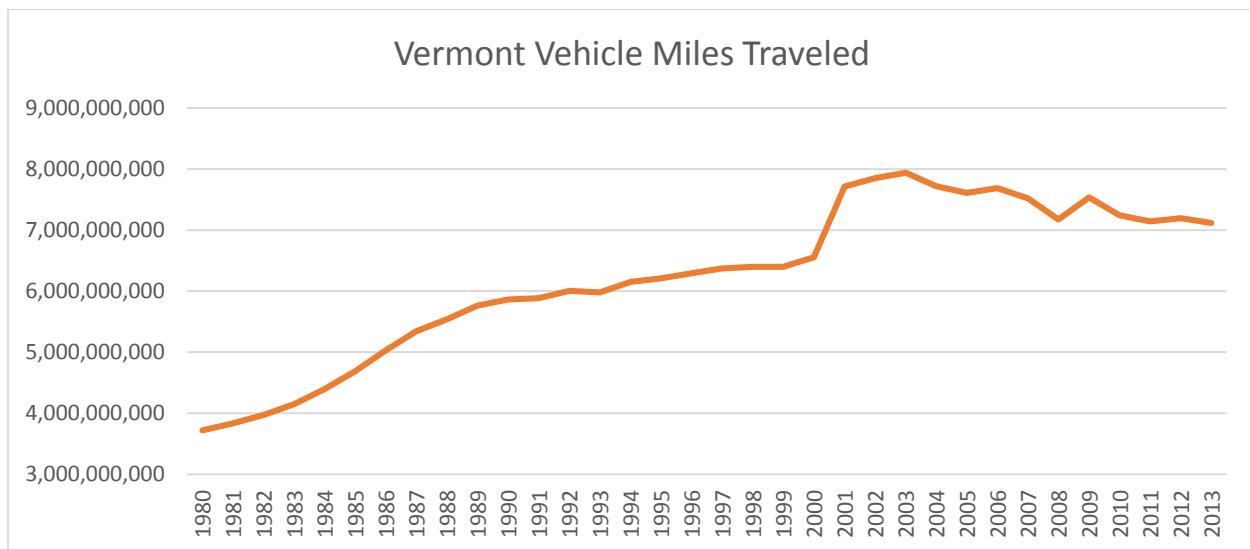
These results are somewhat different than other studies that put more of an emphasis on activities as the basis for visitation. The fact that the UVM survey focuses on a subset of travelers that use attractions and state parks puts more emphasis on hiking and backpacking, and historic sites and museums.

At a national level, the TNS survey provides a profile of visitors and their reasons for travel:

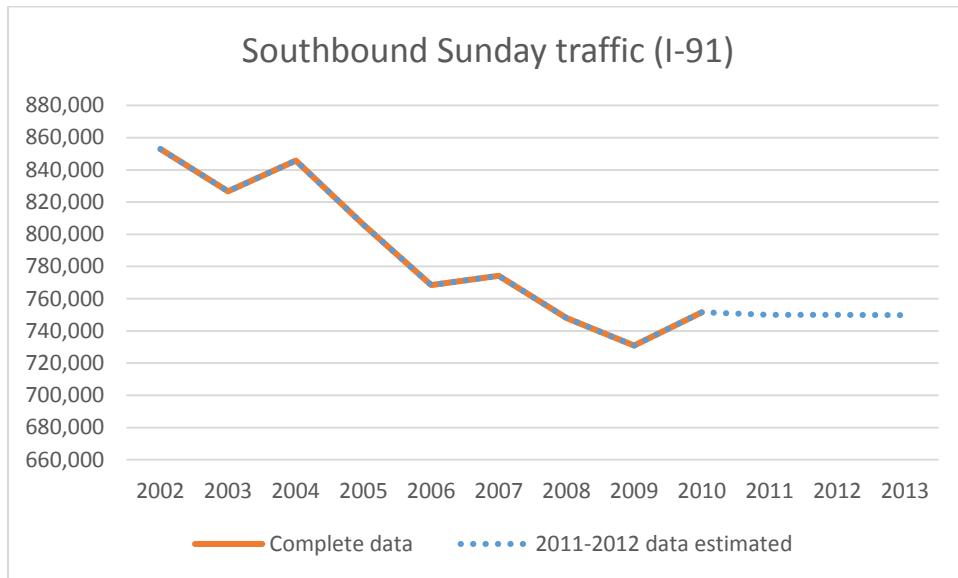
Purpose	Percent of respondents
To visit friends or family	51%
Outdoor recreation	17%
Sights and entertainment	25%
Personal Business	12%
Professional Business	14%
	(The total adds to more than 100% because several respondents provided more than one purpose)

### Car travel

Vermont vehicle miles travelled shows a peak in 2003. While the majority of car travel in the United States and Vermont is related to commuter and daily car use, visitor travel may also show the same pattern of use. This report uses a particular measure of traffic count that is a proxy for tourism road traffic. Southbound travel on Interstate 91 at the Massachusetts border on Sundays (and three day weekend Mondays) is a reflection of the number of visitors returning home after a weekend or weeklong stay in Vermont (but also including some drive through traffic from Canada). These numbers peak during the ski season and again during the summer vacation season, as well. The Vermont Agency of Transportation collects this data regularly and a review of the past 12 years shows a slow but steady decline in this indicator through the 2009 recession with some recovery and a possible plateau over the past 4 years.



An alternative explanation to changes in Sunday traffic is that vacation schedules are changing and households are less beholden to Sunday returns. However, the lodging data also supports an approximate 10 percent reduction in room rentals during the 2003 – 2009 period with similar leveling since 2010.



I-91 traffic is not the sole measure of visitor traffic as large numbers of visitors also enter the state on I-89 at White River Junction, US-4 in Fair Haven and both major border crossings with Canada. However, the I-89 traffic is complicated by Vermont residents shopping in West Lebanon, New Hampshire and the numbers along US-4 are smaller but show similar patterns reflecting the different rates of visitation for different parts of the year.

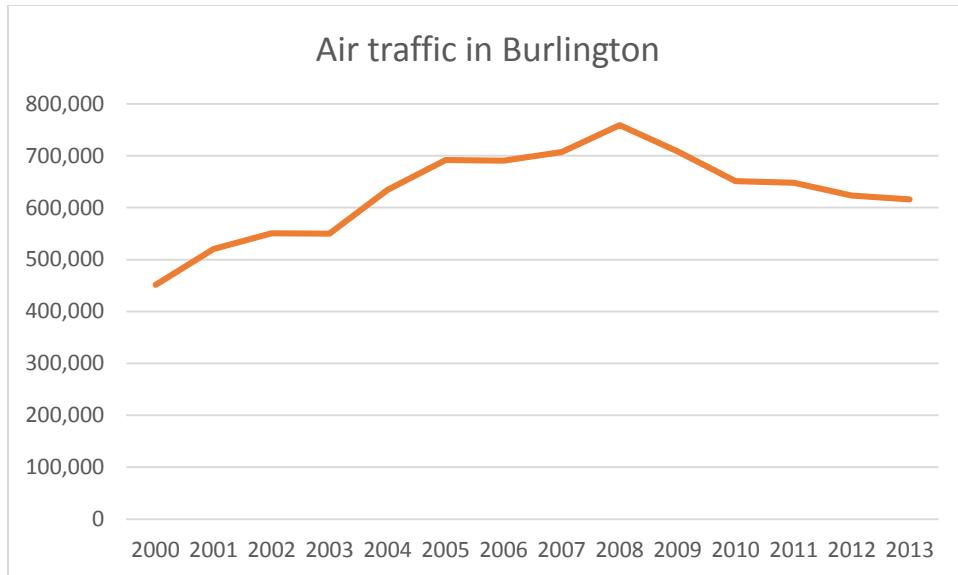
Canadian border crossings show a slow decline similar to the I-91 Sunday traffic counts.

Of all out-of-state and international visits to Vermont, the TNS survey reports that 85% are based on car travel and these data suggest that the number of visits is relatively stable, but with small declines over the past ten years.

#### Air travel

The US Department of Transportation records the number of “enplanements” at the Burlington Airport. The figure below shows the trend in this measure of visitation. These figures include Canadians using Burlington as a lower cost and more convenient starting point for travel and Vermonters beginning and ending their trips to other states and countries. The TNS survey suggests that about 10% of Vermont visitors use air travel as their primary transportation to the state, therefore almost 200,000 of the annual Burlington enplanements are directly related to out-of-state visitors and that number has decreased by about 15 percent from its 2008 peak.

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013



Other modes of travel (tour buses, intercity buses and rail) contribute small additions to the overall traveler numbers for Vermont. Total rail passenger numbers in Vermont are about 130,000 per year and many of them are Vermont-based travelers going to Albany and New York. Intercity bus and tour bus numbers are not available for determining Vermont visitor travel.

## Impacts of visitor expenditure

### GDP

Many economic sectors contribute to the state GDP with a foundation from tourism spending. The following table includes recent trends in those sectors with an allocation factor for tourism.

(All figures in \$ millions)

	2003 GDP	2012 GDP	Percent growth	Percent from tourism	2012 tourism related GDP
Accommodations	546	697	28%	95%	662.2
Restaurants and bars	441	560	27%	35%	196
Performing Arts and Museums	70	90	29%	40%	36
Recreation	97	151	56%	40%	60.4
Travel (Air and rail)	33	44	33%	80%	37.2
Retail	1823	2133	17%	10%	213.3
Wholesale	1084	1304	20%	10%	130.4
Construction	1045	1140	9%	15%	171
Utilities	432	683	58%	10%	68.3
Finance, Real Estate and Insurance	3767	5612	49%	5%	281
Professional Business Services	1638	2740	67%	10%	274
Government	2951	4251	44%	5%	218
<b>TOTAL</b>	---	---	---	---	<b>2248</b>

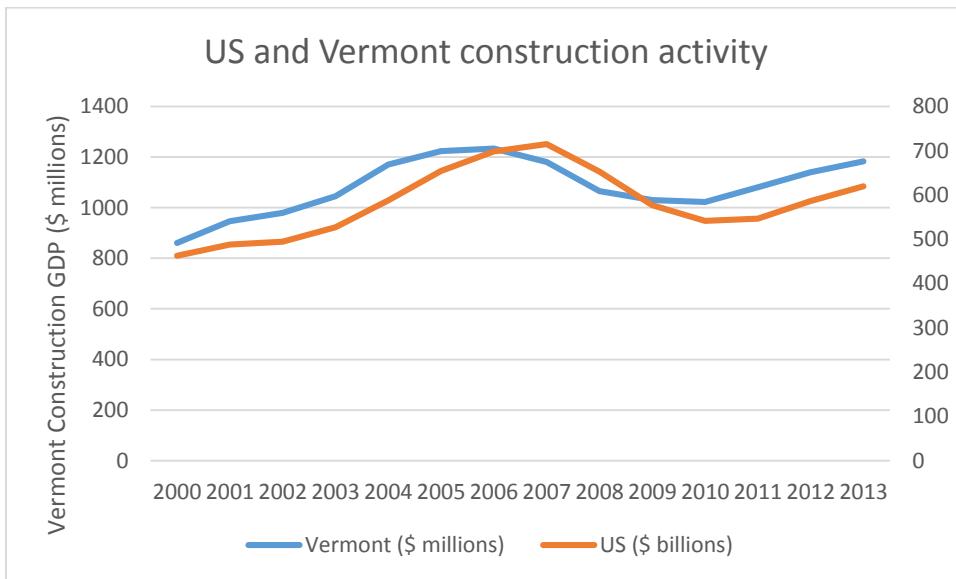
This total represents almost eight percent of the total state GDP. The contribution of tourism to the Vermont economy has not changed appreciably in the past 10 years.

### The Construction sector of the economy

Distinct from the dollars visitors spend for each individual trip, the travel, tourism and recreation industry invests millions of dollars building facilities that serve as infrastructure for tourism and recreation visits. In the past ten years, several projects amounting to almost \$1 billion in construction activity have taken place at or near the state's large ski resorts. In addition to these large ticket construction projects, tourism properties are constantly undergoing upkeep and renovation.

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

As a result of these activities, the construction industry in Vermont has been somewhat buffered from the dramatic decreases seen in other parts of the country.



## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

### Jobs

Similar to the discussion regarding GDP, there are many sectors that employ workers to support the travel industry in Vermont. The following table shows the number of jobs and wages associated with several categories of tourism related businesses. The totals show that tourism supports 8% of Vermont employment and 5% of its wage and business income.

Occupation	NAICS	Employee s	% Tourism	Tourism Employee s	Avg. Wage	Toursim wages (\$million s)
Accommodation	72111 (hotel,motel,inn) 721191 (B&B) 721214 (RV park)	10220 586 334	95%	9709 557 317	\$23,37 4 \$18,37 4 \$31,93 4	\$226.94 \$10.23 \$10.13
Restaurant and Bar	722	19,031	35%	6661	\$16,67 2	\$111.05
Arts and Entertainment	7111 (Performers) 7112 (athletes) 7113 (promoters) 7114 (agents) 7115 (artists)	197 158 258 13 149	50%	99 89 129 6 75	\$25,67 2 \$43,12 4 \$22,70 1 \$64,40 1 \$48,55 0	\$2.53 \$3.41 \$2.93 \$0.42 \$3.62
Recreation	71391 (golf) 71392 (skiing) 71393 (Marinas)	641 357 71	30% 80% 50%	192 286 35	\$25,06 4 \$21,24 7 \$37,11 1	\$4.82 \$6.07 \$1.32
Attractions	7121 (Museums,hist.sites) 7131 (Amusement parks)	478 30 (2011)	50% 50%	239 15	\$27,16 8 \$20,37 0	\$6.49 \$0.31
Travel	4852 (Intercity bus)	152 174	90% 75%	137 131	\$37,52 1	\$5.13 \$2.20

IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

	4853 (Taxi and limo)	99	100%	99	\$16,88	\$3.41
	4855 (Charter bus)	60	100%	60	4	\$2.58
	487 (Sight seeing bus)	90	100%	90	\$34,41	\$3.15
	4811 (passenger air)	146	100%	146	8	\$6.01
	4881 (support for air)	99	100%	99	\$42,91	\$6.24
	488 (public sector air)	542	20%	108	8	\$4.81
	48549 (state road)				\$35,02	
					6	
					\$41,14	
					7	
					\$62,98	
					0	
					\$44,39	
					9	
Retail	44-45	37,701	5%	1885	\$27,43	\$51.72
					7	
Construction	23	14,091	15%	2114	\$45,39	\$95.95
					4	
Indirect Wholesale	4233 (Lumber)	422	10%	42	\$55,64	\$2.35
	4236 (h'hold appliances)	376	10%	38	1	\$2.33
	42391 (sporting and rec)	274	10%	27	\$61,88	\$1.44
	4243 (clothing)	289	5%	14	0	\$0.76
	4249 (grocery)	1848	10%	185	\$52,60	\$8.36
	4248 (beer and wine)	754	10%	75	0	\$3.40
					\$52,34	
					3	
					\$45,25	
					4	
					\$45,08	
					8	
<u>Indirect</u> Retail	45431(fuel oil)	1157	10%	116	\$47,10	\$5.45
	295 (groceries)	8651	5%	433	1	\$8.95
	3804 (gas stations)	3806	20%	761	\$20,68	\$14.01
					2	
					\$18,40	
					7	
<u>Indirect</u> Real Estate and Insurance	5312/5313 Real Estate	1544	10%	154	\$39,04	\$6.01
	5242 Insurance Brokers	1627	5%	81	0	\$4.78
					\$58,99	
					7	
<u>Indirect</u>	54-56 Professional Business Services	26420	5%	1321	\$56,32	\$74.4
					3	

## IMPACT OF VISITOR SPENDING ON THE VERMONT ECONOMY: 2013

Professional Business Services						
<b>Self-employment (from non-employer database)</b>						
Restaurant and Accommodations		1104	50%	552	\$38,540	\$21.27
Arts, Entertainment and Recreation		4161	20%	832	\$19,069	\$15.87
Construction		9423	15%	1413	\$51,380	\$72.62
Retail		4427	5%	221	\$42,916	\$9.50
Real Estate		5328	15%	799	\$84,414	\$67.46
<b>TOTAL</b>				30,606		\$858.43

### **Indirect and Induced impacts**

The analysis reported in this document is based on the direct impacts of tourism spending. In most economic analyses, the additional indirect and induced impacts are included.

Indirect impacts are those economic activities that are required by businesses providing direct services to their customers. Examples in the tourism sector include the laundry services provided to hotels and inns and the food suppliers to restaurants. In general, the indirect impacts from recreation and tourism are not large because many indirect purchases are sourced outside of the state. The one set of economic activities that is significant is the professional services that support the multi-billion dollar recreation and tourism sector. In total, professional services provides about \$1.5 billion in Vermont wages. Because tourism represents 5% of the state's business activity, about \$75 million in professional service wages can be attributed to the sector and comprises an important contribution to the indirect impacts of tourism and recreation.

Induced impacts result from the use of wage and salary income by residents for their day-to-day economic activities. For example, wait staff receiving wages and tips in a restaurant use that money to pay their rent or mortgage, purchase food, cars, clothes and all of the other things that reflect their role as economic consumers. All economic activities have an induced impact. When considering the tourism and recreation economy, a starting point for the calculation of induced impacts is the wages and salary of recreation and tourism workers as a proportion of the total for all Vermonters.

In 2013, Employed and self-employed workers realized more than \$850 million in wages, salaries and business income. This is almost five percent of the reported income of Vermonters. The simplest consideration for induced impacts is that five percent of all consumer transactions are based on the revenues from tourism. The table below identifies the largest categories of consumer spending and allocates a portion of that spending to households with income from recreation and tourism.

<b>Economic Activity</b>	<b>Total \$ Volume (2011)</b>	<b>Dollars From Recreation and Tourism Income</b>
Grocery purchases	\$1.03 billion	\$50 million
Restaurant purchases	\$711 million	\$35 million
Utilities and Fuel	\$1.04 billion	\$50 million
Vehicle purchase	\$640 million	\$32 million
Recreation and Entertainment	\$687 million	\$34 million
Health Care	\$5.1 billion	\$250 million
Clothes	\$512 million	\$25 million
VT Personal Income tax	\$535 million	\$37 million
VT Property tax	\$1.44 billion	\$72 million
Total household expenditures	\$13.78 billion	\$690 million

## Conclusions

The tourism and recreation industries are an important part of the Vermont economic landscape. This report identifies more than 3 billion dollars of economic activity each year supported by the employment of more than 30,000 Vermont workers and providing hundreds of millions of tax dollars to support state and local government programs. It is always tempting to provide a statement regarding the relative value of one economic sector compared with others but such statements mostly miss the point regarding the interrelated nature of economic activities. It is extremely difficult to shift economic activity from one sector to another. Individuals working in tourism and recreation cannot easily transition to other sectors such as health care, manufacturing or professional services. Similarly, the assets used for supporting tourism activities such as ski lifts and hotels are not easily transformed to other uses.

The employment picture is one particular that deserves closer scrutiny. There is no question that tourism and recreation jobs provide lower income than the jobs in many other sectors. However, many of the visitor-support jobs are entry level positions providing real life work experience to young Vermonters that often leads to careers in a wide range of occupations. Other entry level, low skill jobs are largely in retail and retail sales opportunities are driven by local economic activity and are much more difficult to affect by economic development investments.

One other factor that is important to consider when reviewing any economic activity is the flow of dollars into and out of the state. Every economy must balance dollars that leave the state for purchased goods and services with dollars that others bring to the state. Tourism is largely defined in this study as activity paid for by visitors to Vermont and tourism dollars are an important source of money for Vermonters to purchase goods and services from the global economy. Any losses in tourism revenues could require very large investments in manufacturing to produce exportable goods. In a study for the dairy industry, we estimate that generating a million dollars in net annual exportable product value requires at least five million dollars in investment. The \$2.5 billion in tourism revenue would therefore require more than \$10 billion in investment – ten times what the state has established as a five year investment target in its recent Comprehensive Economic Development Strategy.

The trends in travel opportunities have two factors for both the United States and Vermont. The numbers of travelers is flat and yet the dollars available for travel is increasing. The future for Vermont travel will require a better understanding of the socio-economic factors that shift with the aging of the Baby Boom and the changing behavior of Generation X and the Millennials.

Finally, travel and tourism is the first step of an important economic development scenario that has been important to Vermont for several decades. Visitors to Vermont often become second home owners and this report shows that second home owners are an important part of the state's economic activity. Furthermore, those second home owners regularly transition to become full time Vermont residents and bring their own business activities with them. Building the strength of Vermont's travel industries will continue to keep this pipeline full of future residents and business owners. As the state faces demographic challenges to keeping a sustaining population, the tourist to resident scenario will become even more important to the state.