

THE 2004 LOUISIANA TOURISM SATELLITE ACCOUNT AN UPDATE

Submitted to

The Louisiana Department of Culture, Recreation and Tourism

And

The Office of the Lieutenant Governor

by

The Louisiana Research Team



I. Executive Summary

In 2004, the Travel and Tourism industry accounted for 3.8% of Gross State Product, 175,000 direct jobs, and generated just under 8% of the state's total tax revenues.

Key observations:

- **Louisiana visitors spent over \$9.9 billion in 2004**
- **Over 175,000 Louisiana residents were directly employed in Travel & Tourism in 2004**
- **This employment translates into 9.4% of the workforce in 2004**
- **In terms of production, \$5.9 billion of Louisiana production (3.8% of Gross State Product) in 2004 was directly attributable to expenditures in Travel and Tourism**
- **In terms of tax revenues, visitor spending accounted for \$677 million of 2004 Louisiana revenues, or 8.3% of the 2004 budget**
- **2004 Travel and Tourism Expenditures for New Orleans Metropolitan Area accounted for over \$5.6 billion and 58.8% of Louisiana's total visitor spending**

II. 2004 Tourism Satellite Account Results

This document represents a summary of results for the 2004 Louisiana Tourism Satellite Account (TSA). The 2004 TSA is an update of the 2003 Louisiana TSA. The methodology for creating a TSA has been revised over time by the World Tourism Organization in partnership with OECD, the European Union, and United Nations.¹ Our methodology follows the WTO guidelines and is identical to the 2003 TSA methodology to ensure comparability across years. For a discussion of the purpose and goals of the TSA, we refer the reader to the *2003 Louisiana Satellite Account Report*, which addresses these issues in some detail.

Table 1 summarizes 2004 Travel and Tourism related expenditures from all sources and supplies the starting point for TSA analysis. The results reveal that Travel and Tourism spending rose to \$10.6 billion in 2004, up from \$9.9 billion in 2003. As with 2003, the bulk of expenditures in the sector (94%) come from visitor expenditures.

Table 1
2004 Travel and Tourism Expenditures

Category	2004 Travel & Tourism Spending (\$Millions)
Domestic Visitors	\$9,539
International	\$425
Government Spending	\$84
Investment	\$578
Total	\$10,627

Sources: See Appendix A.

¹ See Tourism Satellite Account: Recommended Methodological Framework (2001) for a more detailed description of broader methodological issues.

Unlike most other industries in Louisiana, the Travel and Tourism sector is divided across many other industries in standard government statistics. For example, sales to visitors by retailers will appear in Federal and State Statistics as the North American Industry Classification System (NAICS) categories 44 & 45 titled “Retail Trade”. Restaurant meals by visitors would appear under NAICS 72 “Accommodations and Food Services”. However, both sectors also contain sales to Louisiana residents. Table 2 contains value added (an economic measure of production which included only goods and services produced in Louisiana) for the top 12 sectors in the Louisiana economy. Included here, but not elsewhere, is Travel & Tourism which is made up of parts of each industry.

Table 2
2004 Louisiana Value Added

Rank	Industry	Value Added (\$Millions)
1	Government (Fed, State, & Local)	\$19,839
2	Mining	\$19,669
3	Manufacturing	\$16,103
4	Real estate, rental, and leasing	\$15,354
5	Retail trade	\$10,768
6	Health care and social assistance	\$10,555
7	Wholesale trade	\$7,854
8	Professional and technical services	\$7,003
9	Construction	\$6,554
10	Finance and insurance	\$6,066
11	Travel and Tourism	\$5,883
12	Transportation and warehousing	\$5,649
	All Others	\$27,529
	Total	\$152,943

Source: US Bureau of Economic Analysis, IMPLAN, and author’s calculations.
Total does not include Travel & Tourism.

The data for 11 of these 12 sectors is reported by the U.S. Bureau of Economic Analysis, while Travel and Tourism is computed using the TSA methodology. The Travel and Tourism sector ranks 11th on this list, with \$5.9 billion of Louisiana output or 3.8% of Gross State Product attributable to the sector. Comparing value added to expenditures reveals that 56 cents out of every dollar in visitor spending stays in Louisiana.

Travel and Tourism is a very labor intensive industry and Table 3 contains Louisiana employment by industry. Travel and Tourism figures are obtained using the TSA methodology and employment figures for the other industries are obtained from the Louisiana Department of Labor. Travel and Tourism ranks 4th on this list with almost 176,000 workers employed in this TSA constructed sector. During the year 2004, that was 9.4% of all Louisiana workers.

Table 3
2004 Louisiana Employment by Industry

Rank	Industry	Employment
1	Health care and social assistance	265,320
2	Retail trade	225,157
3	Educational services	180,603
4	Travel and Tourism	175,696
5	Accommodation and food services	166,705
6	Manufacturing	152,336
7	Construction	126,163
8	Public Administration	102,897
9	Administrative and waste services	92,197
10	Transportation and warehousing, excluding Postal Service	78,124
11	Wholesale trade	75,675
	All Others	399,932
	Total	1,865,109

Source: US Bureau of Economic Analysis, IMPLAN, and author's calculations. Total does not include Travel and Tourism.

The almost 176,000 are spread widely across the Louisiana economy. To get some idea of where these workers are employed, Table 4 reports the top ten areas of employment for Travel

and Tourism workers. The largest component consists of Food services workers, with 56,855 or 32% of all Travel and Tourism employment. However, the table also reveals that numerous jobs in various retail sectors and transportation are attributable to travel and tourism.

Table 4
Composition of Direct 2004 Travel & Tourism Employment by Sector

Rank	Industry	Employment	% of Total
1	Food services and drinking places	56,855	32.4%
2	Hotels, motels, and other accommodations	24,990	14.2%
3	Transportation services	15,604	8.9%
4	Other amusement, gambling, and recreation industries	13,270	7.6%
5	Gasoline stations	10,628	6.0%
6	General merchandise stores	8,922	5.1%
7	Food and beverage stores	5,697	3.2%
8	Commercial and institutional buildings	5,681	3.2%
9	Real estate	5,675	3.2%
10	Miscellaneous store retailers	5,398	3.1%
	All Others	22,977	13.1%
	Total	175,696	100.0%

Source: Expenditure data sources summarized in appendix A, IMPLAN, and author's calculations.

Table 5
Composition of Direct 2004 Travel & Tourism Value Added by Sector

Rank	Industry	Value Added (\$Millions)	% of Total
1	Hotels, motels, and other accommodations	\$952	16.2%
2	Food services and drinking places	\$934	15.9%
3	Other amusement, gambling, and recreation industries	\$663	11.3%
4	Real estate	\$491	8.3%
5	Transportation services	\$398	6.8%
6	Gasoline stations	\$361	6.1%
7	General merchandise stores	\$303	5.1%
8	Scenic and sightseeing transportation and support	\$231	3.9%
9	Commercial and institutional buildings	\$198	3.4%
10	Food and beverage stores	\$194	3.3%
	All others	\$1,159	19.7%
	Total	\$5,883	100.0%

Source: Expenditure data sources summarized in Appendix A, IMPLAN, and author's calculations.

Table 5 looks at the composition of the Travel and Tourism sector based on production rather than employment. By this measure, Food services (which generates fewer dollars of output per worker) falls in importance and is replaced by Hotels, motels and other accommodations as the largest subcomponent of Travel of Tourism. Overall, the sector is more dispersed as measured by value added. Also worth noting is that 3.4% of the Travel and Tourism sector production comes from construction of commercial and institutional buildings, reflecting the over \$400 million of investment in new hotels, motels, and other tourism facilities.

Up until this point, this report has focused on the direct impact of visitor spending on the Louisiana economy and the Travel and Tourism industry which meets the demand created by that spending. However, visitor spending also creates secondary impacts in the Louisiana economy. Like a rock dropped in a pond, the visitor spending ripples throughout the economy. Visitors create demand for hotels, which purchase local goods at Louisiana businesses, who in turn purchase from other Louisiana businesses. Likewise, spending by workers receiving wages from the hotels starts a chain of economic activity.

Table 6 contains the total employment created by the Travel and Tourism sector, accounting for both the direct and secondary impacts. Comparing Table 6 to Table 4 reveals that the effects of Travel and Tourism expenditures account for 75,000 additional Louisiana jobs. Table 7 includes similar results for value added. Based on this measure, the secondary impact of Travel and Tourism is over \$4.1 billion of additional economic activity.

Table 6
Total 2004 Employment Attributable to the Travel and Tourism Sector

Rank	Industry	Total Employment	% of Total
1	Food services and drinking places	63,603	25.3%
3	Hotels, motels, and other accommodations	26,280	10.5%
2	Transportation services	17,024	6.8%
4	Other amusement, gambling, and recreation industries	13,798	5.5%
5	Gasoline stations	11,409	4.5%
6	General merchandise stores	11,104	4.4%
7	Real estate	9,639	3.8%
8	Food and beverage stores	8,022	3.2%
9	Miscellaneous store retailers	6,454	2.6%
10	Transit and ground passenger transportation	5,745	2.3%
	All Others	78,370	31.2%
	Total	251,448	100.0%

Source: Expenditure data sources summarized in Appendix A, IMPLAN, and author's calculations.

Table 7
Total 2004 Economic Impact of Travel and Tourism on Louisiana's Economy

Rank	Industry	Total Value Added (\$Millions)	% of Total
1	Food services and drinking places	\$1,045.4	10.5%
2	Hotels, motels, and other accommodations	\$994.9	9.9%
3	Real estate	\$833.5	8.3%
4	Other amusement, gambling, and recreation industries	\$688.9	6.9%
5	Transportation services	\$434.0	4.3%
6	Gasoline stations	\$387.4	3.9%
7	General merchandise stores	\$376.8	3.8%
8	Owner-occupied dwellings	\$367.8	3.7%
9	Scenic and sightseeing transportation and support	\$296.0	3.0%
10	Food and beverage stores	\$273.1	2.7%
	Other	\$4,303.7	43.0%
	Total	\$10,001.5	100.0%

Source: Expenditure data sources summarized in appendix A, IMPLAN, and author's calculations.

Table 8 summarizes the Louisiana state tax revenues generated from the Travel and Tourism sector for the year 2004. Some of these revenue sources such as Auto Rental Excise are the result of taxes directly on visitor spending. Others, such as individual income taxes occur later as workers or firms pay additional taxes on earnings created by visitors.

Table 8
2004 Louisiana State Tax Revenues Attributable
to the Travel and Tourism Sector

Revenue Category	Visitor Taxes
Alcohol Beverage	\$0.5
Beer Tax	\$1.2
Gasoline Tax	\$93.8
Corporate Income Tax	\$18.0
Individual Income Tax	\$77.5
Auto Rental Excise	\$4.0
Sales Tax	\$220.1
Landbased Casino	\$19.0
Video Draw Poker	\$51.6
Motor Vehicle Licenses	\$8.2
Riverboat Gaming	\$182.8
Total	\$676.7

Sources: Louisiana state budget, IMPLAN, expenditure data summarized in Appendix A, and author's calculations.

Overall, over \$670 million in Louisiana revenue is can be attributed to the Travel and Tourism sector. This implies that the sector accounted for 7.9% of the 2004 Louisiana state budget. The Travel and Tourism sector also generates substantial revenues for local governments. With slightly higher tax rates than the states, it is clear that local governments received in excess of \$220 million in sales tax revenues alone. In addition, Louisiana's riverboat

casinos paid over \$72 million in local fees during 2004 and over \$27 million in property taxes. Likewise, \$94 million in hotel-motel room taxes was collected and rebated to local governments.

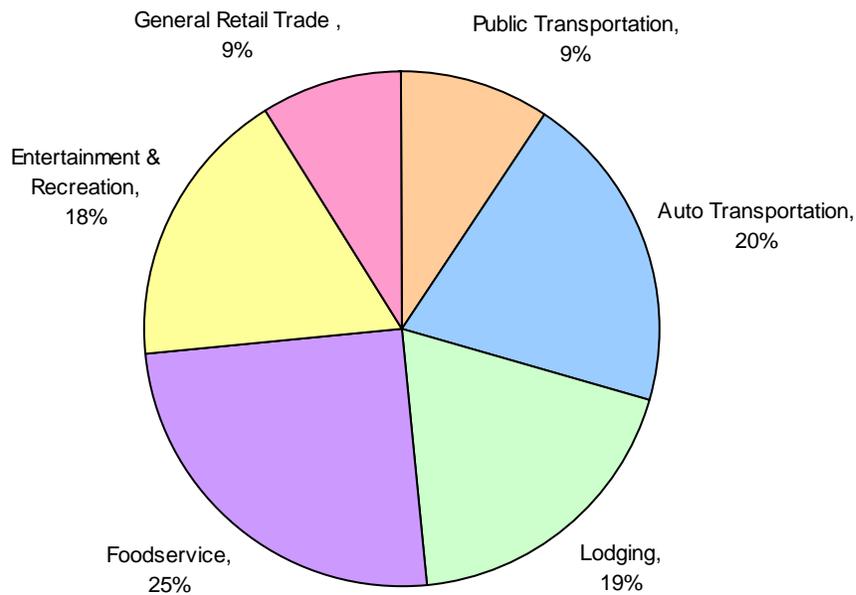
VII. Conclusion

The Louisiana 2004 Tourism Satellite Account provides accounting measures for Travel and Tourism computed to be comparable to regularly collected government statistics using the United Nations TSA methodology. For the year 2004, the Travel and Tourism sector employed over 175,000 Louisiana workers or 9.4% of the Louisiana workforce. In terms of 2004 State tax revenues, the Travel and Tourism sector accounted for \$677 million or 7.9% of the state's tax revenues. As a sector, 3.8% of the Louisiana's 2004 gross state product occurred in the Travel and Tourism sector.

Appendix A
Data Sources

Travel and Tourists Spending Categorized

In their report titled “The Economic Impact of Travel on Louisiana Parishes 2004” the Travel Industry Association (TIA) of America reports visitor spending split between 6 categories illustrated below.



Also, table 1 of this report splits this spending among domestic travelers between the categories “Domestic out of State” and “Domestic in State” this was done using the TIA report titled “2004 TravelScope Profile of U.S. Travelers to Louisiana”. In summary, all input data used in the impact model and this report with regard to Traveler and Tourist spending was extracted from TIA’s reports. TIA’s reports stem from their 57.8 thousand household “TravelScope” survey.

Government Spending

TSA methodology suggests including all government spending that subsidizes the activities of visitors. Obvious examples include spending on state parks and museums. However, the methodology also suggests adding items such as additional security provided during tourism events. For this study, we included only items from the Louisiana state budget directly related to tourism and the Superdome subsidy reported at \$11.0 million. Government spending on roads is treated elsewhere as it has a unique place in the impact model. Due to recovery efforts with Katrina, we were unable to obtain detailed information on Travel and Tourism expenditures by local governments in the New Orleans area. Thus, our figure should be considered a conservative estimate of government expenditures on Travel and Tourism.

Construction

Using data purchased from McGraw Hill Construction we calculated annual construction spending within Louisiana. McGraw-Hill Construction is the author of the F.W. Dodge Reports and is the lead authority on construction information. Government spending on roads is treated elsewhere as it has a unique place in the impact model. Annual spending on Travel and Tourism related construction in Louisiana was reported as:

Construction Spending (\$Millions)	
2002	\$306.5
2003	\$297.3
2004	\$447.3

It is worth noting that construction spending in Travel and Tourism is quite volatile and can be sensitive to a few large projects.

Roads

The Louisiana Department of Transportation and Development (LADOTD) reported their “lettings” (actual contracts awarded) for FY04’-05’ to be \$627.2 million. However, not all road work is done on behalf of Travelers and Tourists. Previous calculations have shown the share of vehicle miles traveled by “Travelers and Tourists” to be approximately 21%. This translates into roughly \$131.1 million in spending on behalf of T&T by LADOTD in 2004.

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