

Economic and Fiscal Impact Analysis

Estimated Total Impact of Tourism in Hilton Head Island, 2019 on Beaufort County, South Carolina

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I. Introduction

This study of the economic and fiscal impact of tourism in the Town of Hilton Head Island in the year 2019 was performed by Regional Transactions Concepts, LLC, in association with Dr. John Salazar of the University of Georgia and Dipl.-Soz. Anton Abraham 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 Island tourism had on Beaufort County, South Carolina in 2019.

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 2019.

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 (2019)**

Segment	Count
Villa Rental	755,953
Hotel	473,679
Timeshare	454,093
Second Homeowner	613,216
Non-Paying Guests	159,137
Day Trip	228,250
Total Visitors	2,684,328

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 in the county per year.

**Table 2. 2019 Estimated Direct Spend by Spending Category
(Current Dollars)**

Spending Category	HHI
Transportation (around your trip destination)	\$ 48,988,724
Lodging	\$ 437,655,947
Food-dining out	\$ 235,557,433
Food-groceries	\$ 113,488,645
Beaches	\$ -
Shopping	\$ 152,415,891
Spas	\$ 13,938,986
Golf	\$ 41,301,449
Biking	\$ 17,225,261
Parks	\$ -
Performance/visual arts	\$ 8,405,742
Festivals	\$ 8,906,406
Museum/historical tours	\$ 9,897,489
Boating/sailing	\$ 26,957,486
Nature based activities	\$ 8,958,388
Dolphin tours	\$ 11,664,801
Tennis	\$ 1,631,332
Fishing	\$ -
Sporting events	\$ -
Other cultural activities	\$ -
Other sport activities	\$ -
Other outdoor activities	\$ -
Other expenses	\$ 33,637,118
Total	\$1,170,631,100

- *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.

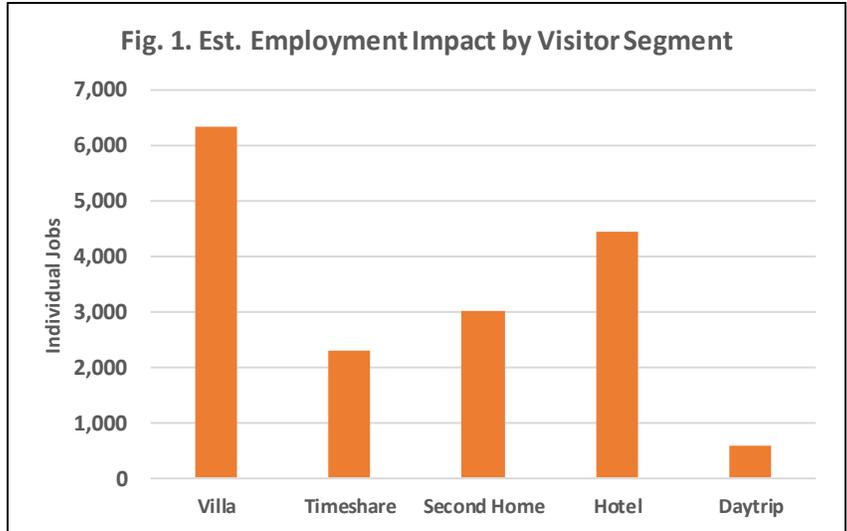
III. Results

Total visitation to the island in 2019 was slightly greater than 2018 by around 50,000 persons. The overall economic impact to the county from Hilton Head Island visitors was higher in 2019 relative to 2018, showing recovery from the impact of the major weather events in 2018.

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 **1.38**; this means that every dollar spent by tourists in Hilton Head increases output in the Beaufort County economy by a total of \$1.38. This is higher than that observed in 2017 and 2018 due to changes in the mix of spending reported by visitors. In order to facilitate comparison to earlier years' analyses, the following results are stated in constant 2015 dollars.

Total economic impact (output) on Beaufort County from tourist spending was approximately **\$1.5 billion** in 2019. 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 **\$12.9 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 **\$32.9 million**. Using this impact to estimate the return on tax investment (ROTI), given the \$2.07 million spent on destination marketing in 2019, yields an estimated return of **\$15.90** in



local government revenue 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 **16,654** jobs that comprise the estimated total employment impact generated by Hilton Head Island tourists in 2019 represent **14.7 percent** of all jobs in Beaufort County.¹

¹ Total employment in Beaufort County, South Carolina was 113,001 according to the Bureau of Economic Analysis (BEA), Table CAINC4, in 2018, the most recent year for which data are available.

Appendix

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

Category	Units	2019
Total Employment	Individuals (Jobs)	6,342
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 192,986
Output	Thousands of Fixed (2015) Dollars	\$ 634,473

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

Category	Units	2019
Total Employment	Individuals (Jobs)	2,300
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 66,932
Output	Thousands of Fixed (2015) Dollars	\$ 206,440

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

Category	Units	2019
Total Employment	Individuals (Jobs)	3,021
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 84,210
Output	Thousands of Fixed (2015) Dollars	\$ 239,658

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

Category	Units	2019
Total Employment	Individuals (Jobs)	4,436
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 124,706
Output	Thousands of Fixed (2015) Dollars	\$ 388,900

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

Category	Units	2019
Total Employment	Individuals (Jobs)	580
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 15,875
Output	Thousands of Fixed (2015) Dollars	\$ 44,579

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

Category	Units	2019
Total Employment	Individuals (Jobs)	16,654
Total Compensation	Thousands of Fixed (2015) Dollars	\$ 487,197
Output	Thousands of Fixed (2015) Dollars	\$ 1,511,241
Net Local Government Revenue	Thousands of Fixed (2015) Dollars	\$ 12,925
Net Local Gov Rev incl ATAX/HTAX*	Thousands of Fixed (2015) Dollars	\$ 32,917

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

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

Category	Revenue Type	2019
Charges	Air Transportation	\$ 614.6
Federal Intergovernmental	Air Transportation	\$ 198.4
Tax	Alcoholic Bev Sales	\$ 38.1
Charges	All Other	\$ 246.4
Federal Intergovernmental	All Other	\$ 46.8
State Intergovernmental	All Other	\$ 162.7
Tax	Amusements Lic	\$ 0.4
Intergovernmental to State	Correctional Institutions	\$ 0.4
Tax	Death and Gift	\$ 0.1
Tax	Documentary and Stock Transfer	\$ 11.3
Misc	Donations from Private Sources	\$ 24.8
Employee Retirement	Earnings on Investments (calculated)	\$ 5.8
Federal Intergovernmental	Education	\$ 2.7
State Intergovernmental	Education	\$ 3,672.0
Revenue	Electric Utilities	\$ 1,958.8
Federal Intergovernmental	Electric Utilities	\$ 2.0
Intergovernmental to State	Electric Utilities	\$ 1.5
Intergovernmental to State	Elementary-Secondary Ed	\$ 9.6
Charges	Elementary-Secondary Ed - Other	\$ 128.0
Charges	Elementary-Secondary Sch Lunch	\$ 74.9
Charges	Elem-Sec Ed Tuition and Transportation	\$ 9.3
Misc	Fines and Forfeits	\$ 90.7
Employee Retirement	From Other Governments	\$ 0.1
Revenue	Gas Utilities	\$ 773.1
Intergovernmental to State	General - Other	\$ 6.6
Federal Intergovernmental	General Local Gov Support	\$ 7.4
State Intergovernmental	General Local Gov Support	\$ 213.7
Misc	General Rev, NEC	\$ 409.3
Tax	General Sales/Gross Rcpts	\$ 1,059.0
Intergovernmental to State	Health - Other	\$ 5.6

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

Category	Revenue Type	2019
Federal Intergovernmental	Health and Hospitals	\$ 135.2
State Intergovernmental	Health and Hospitals	\$ 119.7
Federal Intergovernmental	Highways	\$ 8.9
State Intergovernmental	Highways	\$ 51.0
Charges	Hospital Public	\$ 9,858.0
Charges	Housing and Community Dev	\$ 24.2
Federal Intergovernmental	Housing and Community Dev	\$ 212.2
State Intergovernmental	Housing and Community Dev	\$ 16.9
Misc	Interest Earnings	\$ 464.4
Intergovernmental to State	Judicial and Legal Serv	\$ 5.1
Intergovernmental to State	Libraries	\$ 0.1
Employee Retirement	Local Empl Contribution	\$ 0.1
Charges	Misc Commercial Activities	\$ 6.3
Tax	Motor Vehicle Lic	\$ 293.2
Federal Intergovernmental	Natural Resources	\$ 23.3
Charges	Natural Resources - Other	\$ 2.9
Tax	Occupation/Business Lic	\$ 1,202.6
Intergovernmental to State	Other Higher Ed	\$ 0.0
Tax	Other Licenses	\$ 49.2
Tax	Other Selective Sales	\$ 583.6
Charges	Parking Facilities	\$ 27.6
Charges	Parks and Rec	\$ 35.9
Tax	Property	\$ 3,032.2
Tax	Public Utilities Sales	\$ 222.0
Tax	Public Utility Lic	\$ 228.5
Federal Intergovernmental	Public Welfare	\$ 7.8
State Intergovernmental	Public Welfare	\$ 11.8
Intergovernmental to State	Public Welfare	\$ 1.8
Charges	Regular Highways	\$ 35.0
Intergovernmental to State	Regular Highways	\$ 0.9

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

Category	Revenue Type	2019
Misc	Rents	\$ 40.1
Misc	Sale of Property	\$ 194.7
Charges	Sea and Inland Port Facilities	\$ 5.8
Charges	Sewerage	\$ 2,083.7
Federal Intergovernmental	Sewerage	\$ 103.5
State Intergovernmental	Sewerage	\$ 32.9
Intergovernmental to State	Sewerage	\$ 0.1
Charges	Solid Waste Mgt	\$ 920.1
Misc	Special Assessments	\$ 19.9
Tax	Tax, NEC	\$ 534.0
Revenue	Transit Utilities	\$ 38.9
Federal Intergovernmental	Transit Utilities	\$ 67.4
State Intergovernmental	Transit Utilities	\$ 60.7
Revenue	Water Utilities	\$ 1,952.1
Federal Intergovernmental	Water Utilities	\$ 38.9
State Intergovernmental	Water Utilities	\$ 64.6
Intergovernmental to State	Water Utilities	\$ 0.2
Tax	ATAX (Local + Beach Renourishment)	\$ 11,220.2
Tax	ATAX (DMO share of State)	\$ 2,799.0
Tax	HTAX	\$ 4,217.6
Tax	Recreation Tax	\$ 1,755.9
Total		\$ 52,585.1

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

Category	Expenditure Type	2019
Current Ops	Air Transportation	\$ 60.3
Construction	Air Transportation	\$ -
Other Capital Outlay	Air Transportation	\$ 2.3
Employee Retirement	Benefit Pmts	\$ -
Current Ops	Central Staff Serv	\$ 219.9
Construction	Central Staff Serv	\$ -
Other Capital Outlay	Central Staff Serv	\$ 3.6
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	\$ 411.5
Construction	Electric Utilities	\$ -
Other Capital Outlay	Electric Utilities	\$ 2.3
Interest on Debt	Electric Utilities	\$ -
Current Ops	Elementary-Secondary Ed	\$ 5,555.7
Construction	Elementary-Secondary Ed	\$ -
Other Capital Outlay	Elementary-Secondary Ed	\$ 282.6
Current Ops	Financial Admin	\$ 200.5
Construction	Financial Admin	\$ -
Other Capital Outlay	Financial Admin	\$ 2.3
Current Ops	Gas Utilities	\$ 178.1
Construction	Gas Utilities	\$ -
Other Capital Outlay	Gas Utilities	\$ 3.1
Interest on Debt	Gas Utilities	\$ -
Interest on Debt	General	\$ -
Current Ops	General - Other	\$ 268.0
Construction	General - Other	\$ 58.4
Other Capital Outlay	General - Other	\$ 72.8

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

Category	Expenditure Type	2019
Current Ops	General Public Bldgs	\$ 81.1
Construction	General Public Bldgs	\$ -
Other Capital Outlay	General Public Bldgs	\$ 23.0
Current Ops	Health - Other	\$ 139.3
Construction	Health - Other	\$ -
Other Capital Outlay	Health - Other	\$ 6.3
Current Ops	Hospitals	\$ 2,846.7
Construction	Hospitals	\$ -
Other Capital Outlay	Hospitals	\$ 120.5
Current Ops	Housing and Community Dev	\$ 246.4
Construction	Housing and Community Dev	\$ 32.4
Other Capital Outlay	Housing and Community Dev	\$ 4.3
Current Ops	Judicial and Legal Serv	\$ -
Construction	Judicial and Legal Serv	\$ -
Other Capital Outlay	Judicial and Legal Serv	\$ -
Current Ops	Libraries	\$ 96.2
Construction	Libraries	\$ -
Other Capital Outlay	Libraries	\$ 2.0
Current Ops	Local Fire Protection	\$ 340.1
Construction	Local Fire Protection	\$ -
Other Capital Outlay	Local Fire Protection	\$ 19.2
Current Ops	Misc Commercial Activities, NEC	\$ 4.1
Construction	Misc Commercial Activities, NEC	\$ -
Other Capital Outlay	Misc Commercial Activities, NEC	\$ 0.1
Current Ops	Natural Resources - Other	\$ 10.9
Construction	Natural Resources - Other	\$ -
Other Capital Outlay	Natural Resources - Other	\$ 5.9
Current Ops	Parking Facilities	\$ 11.9
Construction	Parking Facilities	\$ 0.5
Other Capital Outlay	Parking Facilities	\$ 0.8

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

Category	Expenditure Type	2019
Current Ops	Parks and Rec	\$ 205.6
Construction	Parks and Rec	\$ -
Other Capital Outlay	Parks and Rec	\$ 42.9
Current Ops	Police Protection	\$ 670.0
Construction	Police Protection	\$ -
Other Capital Outlay	Police Protection	\$ 35.7
Current Ops	Protective Inspection and Reg NEC	\$ 35.2
Construction	Protective Inspection and Reg NEC	\$ -
Other Capital Outlay	Protective Inspection and Reg NEC	\$ 2.0
Assistance & Subsidies	Public Welfare - Fed Categorical Assistance Progs	\$ 0.3
Current Ops	Public Welfare - Other	\$ 30.3
Construction	Public Welfare - Other	\$ 0.2
Other Capital Outlay	Public Welfare - Other	\$ 0.1
Current Ops	Public Welfare - Vendor Pmts for Medical Care	\$ 0.7
Current Ops	Public Welfare Institutions	\$ 24.7
Construction	Public Welfare Institutions	\$ -
Other Capital Outlay	Public Welfare Institutions	\$ 0.1
Current Ops	Regular Highways	\$ 179.2
Construction	Regular Highways	\$ 174.4
Other Capital Outlay	Regular Highways	\$ 32.4
Current Ops	Sea and Inland Port Facilities	\$ 4.5
Construction	Sea and Inland Port Facilities	\$ -
Other Capital Outlay	Sea and Inland Port Facilities	\$ 0.0
Current Ops	Sewerage	\$ 358.8
Construction	Sewerage	\$ 136.3
Other Capital Outlay	Sewerage	\$ 16.1
Current Ops	Solid Waste Mgt	\$ 250.8
Construction	Solid Waste Mgt	\$ -
Other Capital Outlay	Solid Waste Mgt	\$ 23.9
Salaries and Wages	Total	\$ 5,649.6

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

Category	Expenditure Type	2019
Current Ops	Transit Utilities	\$ 62.0
Construction	Transit Utilities	\$ -
Other Capital Outlay	Transit Utilities	\$ 7.0
Interest on Debt	Transit Utilities	\$ -
Current Ops	Water Utilities	\$ 383.7
Construction	Water Utilities	\$ -
Other Capital Outlay	Water Utilities	\$ 27.9
Interest on Debt	Water Utilities	\$ -
Employee Retirement	Withdrawals	\$ 0.0
Total		\$ 19,667.8