

2017 BENCHMARK REPORT TOURISM IN VERMONT

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The Tourism Benchmark Study is a biannual publication of the Vermont Department of Tourism and Marketing. The study seeks to illustrate the impact tourism has on the Vermont economy. These impacts include jobs, income for Vermonters, and revenue for state and local governments. The information in this study is compiled using analysis of tax reports, credit card data, and statistics from the Vermont Department of Labor and the U.S. Bureau of Economic Analysis.

2017

BENCHMARK STUDY

Vermont tourism remains an important part of the state's economy. In 2017, Tourism brought more than \$2.8 billion dollars into the state and that is second only to manufacturing as a source of dollars for our economy. There are other sectors that employ more people and lead to more wage income. Vermont requires industries such as tourism to pump money into the economy so that our residents can purchase goods and services that we require from out-of-state sources.

Visitation in Vermont is increasing. There are several pieces of evidence that support the conclusion of increasing visitation:

- Domestic tourism in the United States has been increasing at a rate of about 2% per year since the recovery from the great recession.
- Automobile traffic on the roads used for visitors to the state are increasing during those times that visitors are the primary drivers on the roads (Sundays and holidays on southbound I-89, I-91 and Route 7.)
- Lodging receipts are up.
- Vermont is maintaining and possibly increasing its share of northeastern skiers

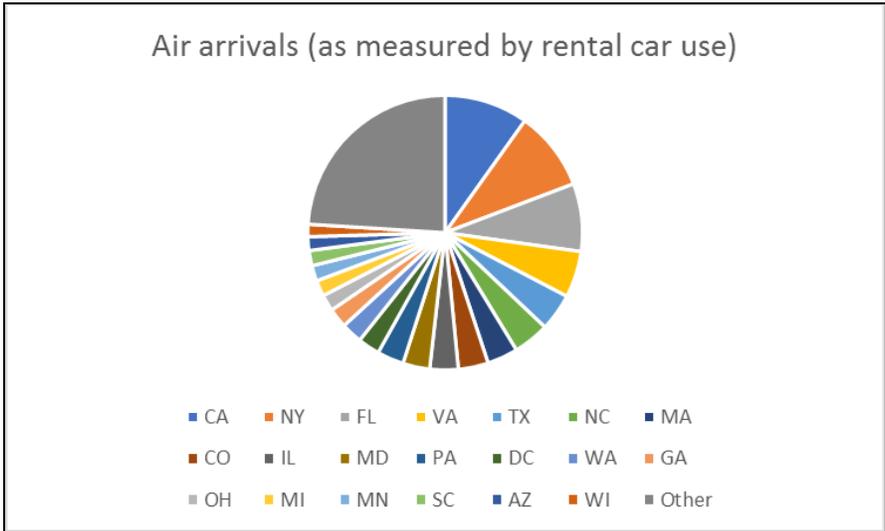
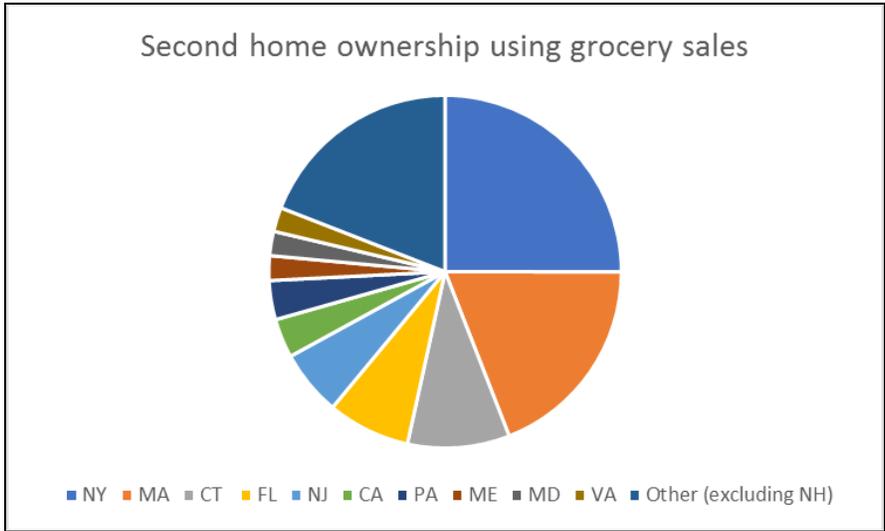
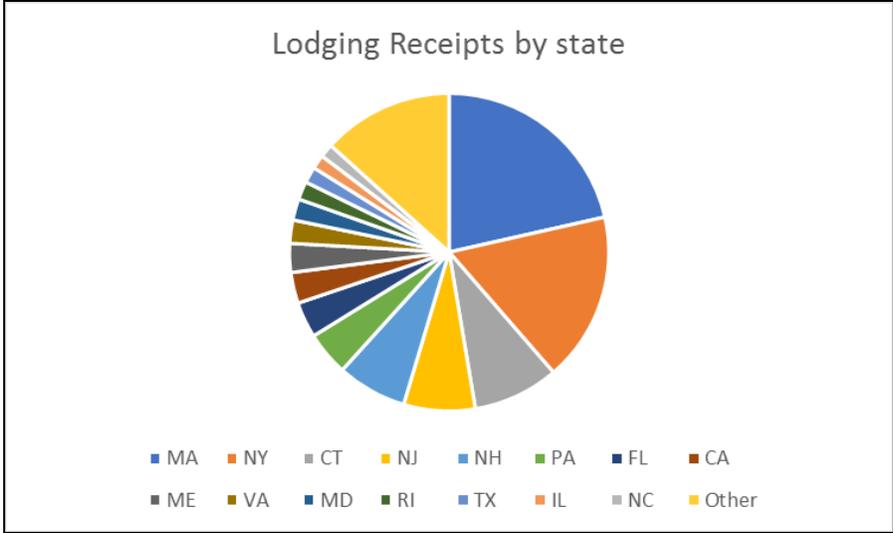
Grand total

Type of visit	Visits	Visitors	Visitor nights	Overnight stays
Overnight lodging	670,000	1,800,000	7,500,000	3,300,000
Second home	470,000	1,800,000	8,300,000	2,300,000
Campgrounds	110,000	350,000	1,000,000	300,000
Friends and Family	850,000	2,000,000	5,200,000	1,900,000
Day trips	1,000,000	2,400,000	---	---
Drive through	1,800,000	4,700,000	---	---
TOTAL	4.9 million	13.1 million	22.0 million	7.8 million

Origin of Visitors

Credit card data is useful to identify from where visitors to Vermont originate. For this report, we can consider three types of visitors:

- Those using overnight accommodations (reflected in lodging receipts).
- Those using second homes (reflected in grocery store receipts).
- Those arriving by airplane (reflected by car rental receipts).



A Description of the use of Credit Card data

Much of the analysis in this report is based on credit card data use reported by the Visa Corporation. This data represents purchases that are made on-site and therefore does not include many other kinds of tourism travel. For example, the data does not include:

- The use of other credit cards
- The use of cash, travelers checks or bank checks
- On-line booking
- Tour packages

While the list of transactions that is not included is extensive, there is no reason to believe that the pattern of use is significantly different using the Visa credit card data.

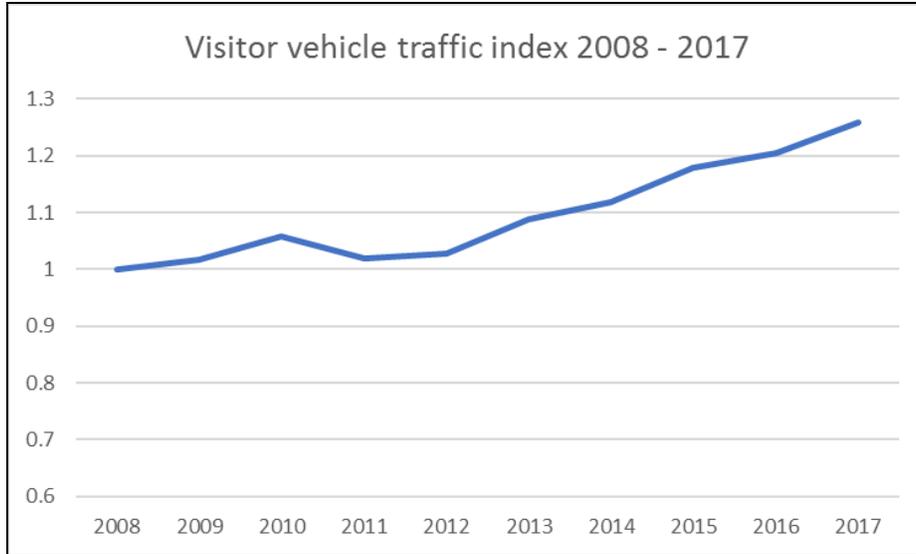
The National Picture

US Travel reports that U.S. domestic travel increased 1.9 percent in 2017 when measuring person-trips. Domestic leisure travel increased 2.1 percent in 2017. Leisure travel accounted for 80 percent of all U.S. domestic travel in 2017. In Vermont, leisure travel is an even greater proportion of all visitation due to the lack of a large metropolitan area and its associated commerce. This Benchmark report does not attempt to separate out business trips from leisure trips.

In 2017, at the national level, domestic travelers increased their overall spending by 5.2% from 2016, and international travelers spent roughly the same as in 2016. Adjusted for inflation, real travel spending (in chained 2005 dollar) rose 4.4 percent in 2017. The Travel Price Index—a measurement of the cost inflation of travel goods and services—was up 2.3 percent in 2017.

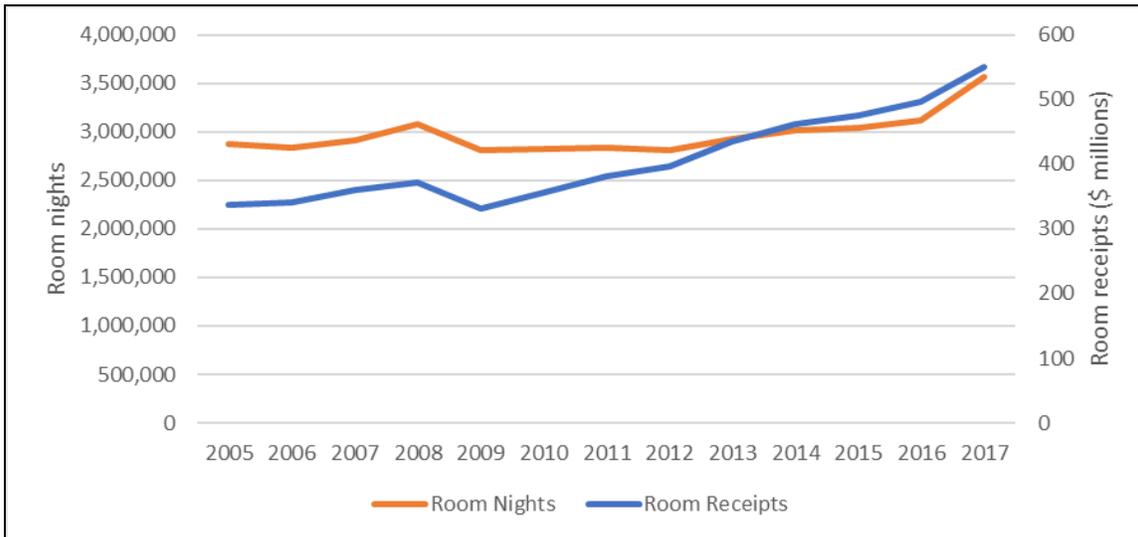
Automobile Traffic

Overall, automobile traffic in Vermont has flattened out in the past ten years. However, traffic that represents visitors has increased. A way to gauge visitor traffic is to monitor the traffic data for roads that are heavily used by visitors at times when they are most likely on the road. The analysis for this report uses southbound traffic on Sundays on both I-89 (between Exits 3 and 4) and Route 7 in Shaftsbury. A less detailed review of traffic on I-91 near the Massachusetts border shows similar results.



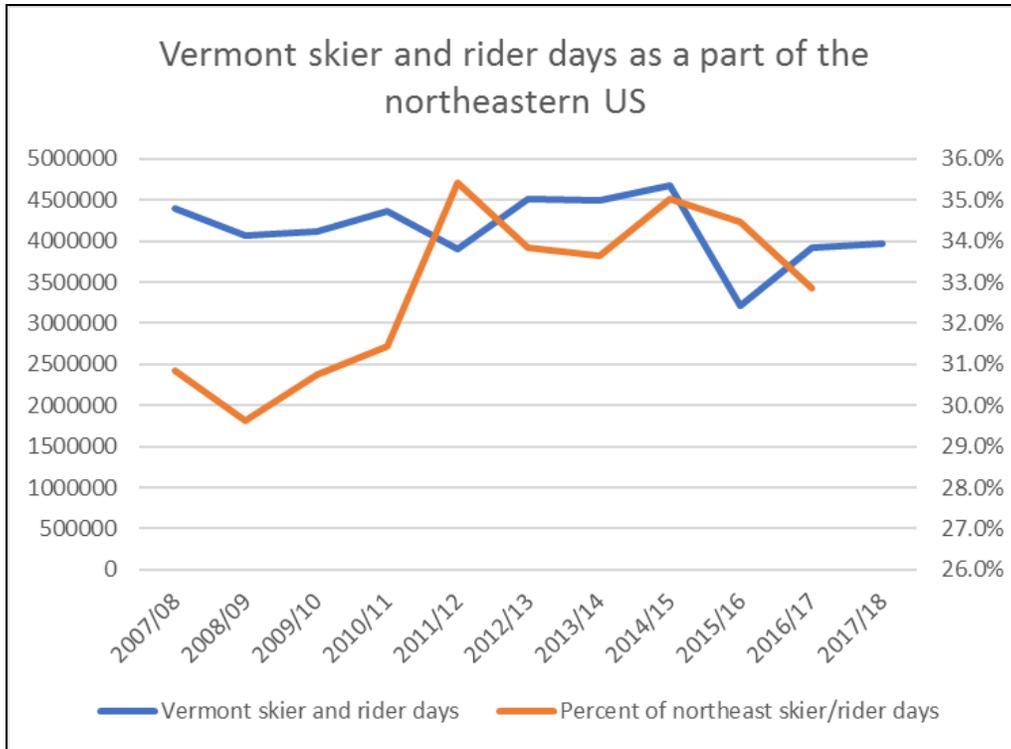
Lodging Receipts

As will be described later, a policy change that has increased tax reporting from AirBnB resulted in a very large increase in rooms receipts in 2017. Even with this one-time jump, the overall trend in rooms receipts is suggesting increases in both room rental receipts and room nights rented. Throughout this report, AirBnB activity is included in the overnight lodging category of spending for 2017.



Skier Volume

The skier and rider day total each year are in part, a reflection of the quality of the snow and weather. For 2016-2017, Vermont saw almost 4 million skier and rider days. To normalize for the differences in weather, the proportion of overall skier and rider days in Vermont compared to other northeastern areas shows that for the past several years, Vermont may have built an ability to capture greater market share.



To carry out the analysis and report the findings, this Benchmark study breaks down tourism activities into four categories, each having unique spending patterns.

- Overnight visitors– using hotels, inns, paid home share (e.g AirBnB) and campgrounds.
- Overnight visitors – Using second homes and staying with friends and families.
- Day visitors
- Drive through visitors

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. However, a complication in both tax collection and estimating total visitation is the use of shared homes including the popular AirBnB service. The Vermont Department of Taxes began collecting the Rooms Tax on AirBnB providers in October of 2016. Therefore, 2017 represents the first year of full reporting on the use of the shared home service.

This is one factor that contributes to the significant increase in reported receipts for lodging. The graph on the earlier page does not attempt to estimate the past use of paid shared home services prior to 2017 so that the increase in room nights is in part due to including this type of visitor service.

There are two other factors that contribute to the changes in overall lodging receipts. When per room prices increase, receipts increase. Proprietary data and national reporting suggest that per room rates have been increasing at close to the rate of inflation for the past several years. Finally, the factor that influences the overall analysis of tourism activity is the number of visitor nights. Taking into account the changes in tax collection and rate changes, there is a small increase in the number of room nights suggested by the rooms receipts data.

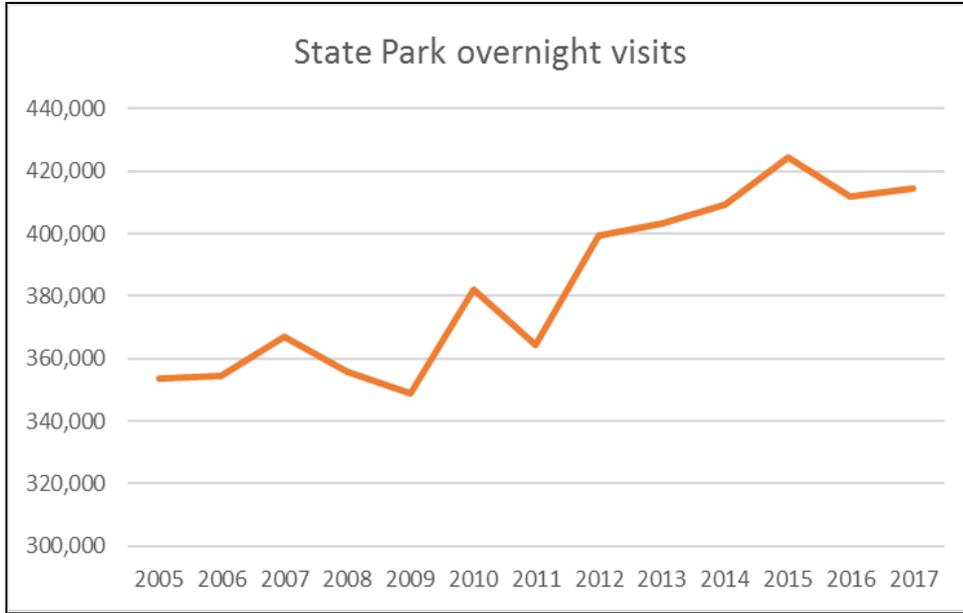
The longer term increases in overnight accommodations since the end of the recession of 2009 are gradual and consistent with national trends showing slow increases in overall tourism activity.

Summary of visitors to Vermont using commercial overnight accommodations:

- The number of room nights rented using this data is 3.3 million
- The number of visitor nights is 7.5 million
- The total number of overnight visitors is 1.8 million
- The number of overnight visits is 0.67 million

Overnight Visitor Calculation – Using Campgrounds

The Vermont Department of Forest and Parks reports in 2017 that there were more than 410,000 camper nights representing a small drop from 2015 but maintaining the higher levels seen for more than 15 years. The continuing levels of campground use represent one of the growing parts of Vermont's outdoor recreation economy.



Privately owned campgrounds represent an even greater proportion of campsites for visitors. As it has for the past few years, employment data for campgrounds collected by the Vermont Department of Labor shows small employment gains reflecting patterns of increased private campground use parallel to the state campgrounds.

Summary of Non-resident Camping

- The number of campsite nights rented = 0.35 million
- The number of camper nights = 1.1 million
- The number of visitors using camping accommodations = 0.35 million
- The total number of visits represented by camping = 0.12 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. For the past ten years, data from both the Census Bureau and Vermont’s Division of Property Valuation and Review suggest that the number of second homes in Vermont has stayed steady. 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”.

The economic impact of second homes continues to increase. Consistent with other observations, the relatively higher income status of second home owners leads to increased expenditures in food purchases (both for consumption in the home and in restaurants) and household furnishings and maintenance.

The visitation rates for second home owners may be showing signs of increasing as both credit card purchases from out of state residents and traffic counts are showing steady increases in the

past five years. For that reason, the calculations in this report show a 3% gain in visitors using second homes and staying with friends and family.

It is important to recognize the importance of second home users as a part of the visitor impact in Vermont. On an average night about 90% of people spending the night in the state are Vermonters. About 10% of people spending the night in Vermont are non-residents staying in hotels, second homes, campgrounds and private homes. That is for an “average night” night. The percentage is greater for holidays and weekends, and less during non-vacation weekday periods.

Summary of visitors to Vermont with second homes

- The number of visit nights (equivalent to room nights in hotels) is 2.3 million
- The number of guest nights is 8.3 million
- The number of visits associated with second homes is 0.47 million
- The number of visitors is 1.8 million

Overnight Visitor Calculation – Using “Private” Homes

In addition to second homes, some visitors stay with families and friends. Survey results report that 58% of households host guests during a year. That survey also reports the number of visits per year (4.5), the number of visitors per visit (2.3) and the average duration of a visit, and allows estimates for visitor volume from friends and family.

Summary of visitors to Vermont using private homes:

- Number of visits (330,000 X .58 X 4.5) = 850,000
- Number of visitors (850,000 X 2.3) = 2.0 million
- Number of visitor nights = 5.2 million

Day Visitor Calculation

Earlier survey reports that for every 10 overnight visitors, there are 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. Some of the data used for this report measures any out-of-state transaction taking place in Vermont as one from a visitor. The definition of a visitor will influence the consideration of overall travel impacts. Considering the casual border crossings from New Hampshire, Massachusetts and New York: how many of those should be considered as tourism “visits”? When calculating dollar impacts, a lower estimate of the number of visits is appropriate, as the dollar expenditures from casual visits is minimal.

Summary of day visits to Vermont:

- Number of day visits is 1.0 million
- Number of day visitors 2.4 million

Drive Through Visitors

Vermont Interstate highways 89 and 91 provide access between New Hampshire/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. 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.

Summary of day visits to Vermont:

- Number of pass through trips is 1.8 million
- Number of pass through visitors is 4.7 million

How to Measure Visitation

- **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, that represents 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 fees for campsites.

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. 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 more than 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.

The table below breaks down the spending of Vermont’s visitors into several categories. The calculations that lead to this table are based on multiple sources including Vermont tax revenue collection, US Census bureau surveys and proprietary data that reports the credit card spending from out-of-state residents.

(all figures in millions)

	Lodging	Rest’nts	Groceries	Gas.	Retail	Rec and Entertain.	Services	Other travel
Overnight lodging	\$540	\$240	\$15	\$30	\$45	\$95	\$30	\$65
Second home	---	\$210	\$70	\$35	\$150	\$125	\$100	\$65
Campgrounds	\$10	\$5	\$5	\$5	\$3	\$10	\$3	---
Friends and Family	---	\$75	\$40	\$40	\$40	\$55	\$10	\$75
Day trips	---	\$40	\$5	\$40	\$25	\$75	\$5	---
Pass through	---	\$30	\$10	\$60	\$20	---	\$5	---

In addition to the spending associated with traveler services, this Benchmark report includes the spending associated with the ownership and operation of second homes.

Almost 20% of Vermont homes are second homes and while the operating expenses are less on a per home basis for second homes compared to primary homes, the dollar totals are still an important contribution to the Vermont economy.

The table below shows the level of spending by second home owners in 2017:

	Household costs in the Northeast US (per household)	Second home costs in Vermont (\$ millions)
Heating and electric utilities	\$3,995	\$100 million
Maintenance, repairs, Insurance	\$1,672	\$40 million
Other Household expenses	\$1,563	\$40 million
Property Taxes (state and local)	\$4,500 (Vermont specific)	\$200 million
Total Second home costs	\$12,730 per household	\$380 million

Overall, the sum of spending by visitors is an addition of \$2.8 billion into the Vermont economy. The direct impact of that spending is multiplied when that money is used by Vermont businesses to purchase other goods and services. And, more than \$1 billion of that visitor spending becomes salary and business income that circulates through the economy through the normal commerce of Vermonters buying food, housing, transportation and health care.

Many economic impact studies include indirect impacts by attempting to follow the dollars spent through a chain of vendors and suppliers. While the multiplier effect results in impacts beyond the \$2.8 billion of direct spending in the state; it loses meaning the further those dollars move from the initial transaction.

2017

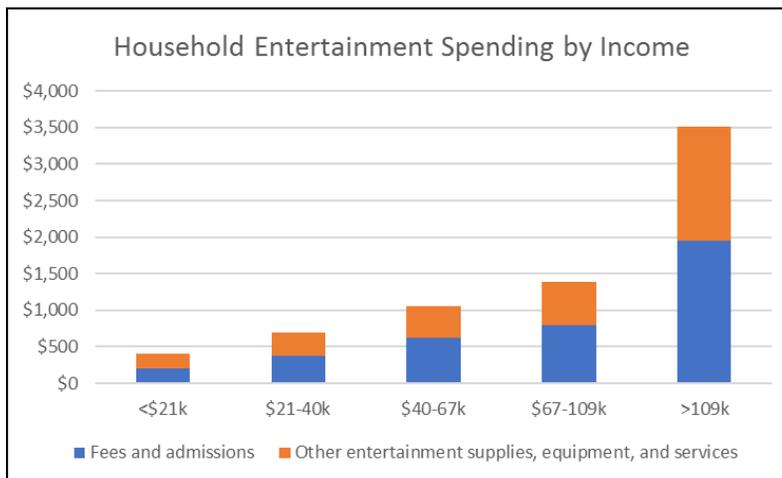
BENCHMARK STUDY

The continued slow growth of tourism activity in Vermont is largely a consequence of the same slow growth in the national economy. As economic principles suggest, and the chart below shows, tourism and recreation are the result of consumer choices when discretionary income is more available. In 2017, the United States enjoyed the eighth year of recovery from the Great Recession.

The US Dept of Commerce gauges tourism activity in all of the states and the growth of tourism shows similar differences in the country's regions that reflects the overall trends in regional economic growth.



An important factor in the breakdown of economic activity is the role that more wealthy households play in the tourism economy. As the chart below shows, households in the top 20% of income spend two to four times as much on the fees and equipment for recreation as do other households. Similarly, wealthier households often own second homes and those second home owners represent more than 40% of Vermont's overall tourism purchases.



While national trends are the most important driver, regional factors also come into play. Most of Vermont's tourist visitors are from the northeastern US and this is a part of the country that is not seeing the same level of population growth as are the western and southern states.

One final factor that is important in considering recreation and tourism activity is the aging population. The aging of the Baby Boom is a two-edged sword when it comes to tourism activities. Older individuals often have more disposable income and more time which they can use for travel. However, the types of recreation and tourism activities also changes with age and therefore the overweighed influence of the Baby Boom is having impacts on the spending patterns for out-of-state visitors. Vermont is unique in the northeast in having a robust winter recreation economy due to the ski resorts that continue to invest for growth. According to the USSA, skiing participation drops significantly with older Americans and therefore, applies a downward pressure to that part of the Vermont tourism and recreation economy. The increased level of investment in Vermont ski areas over the past ten years has resulted in Vermont increasing its eastern ski market share and allows Vermont to maintain a robust snow sport-supported tourism segment.

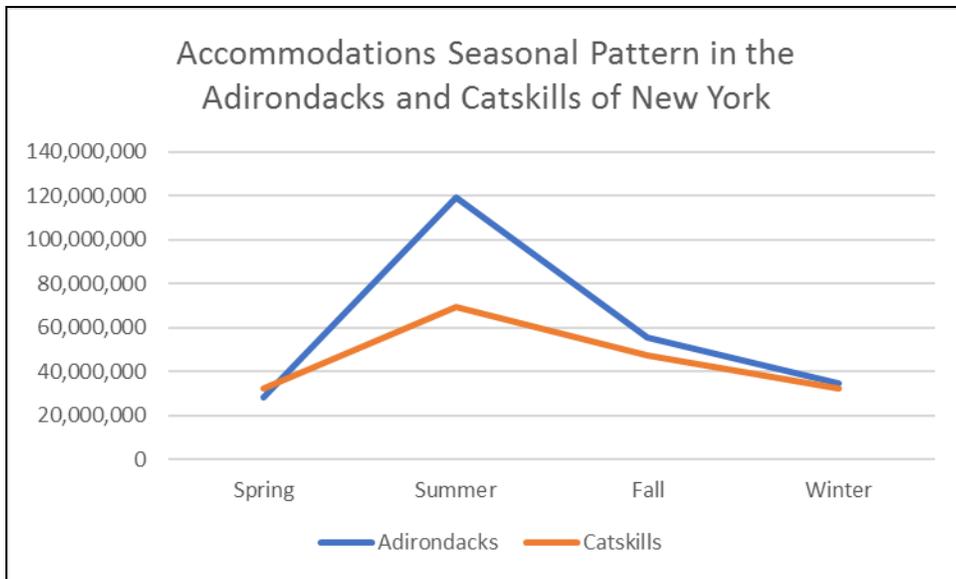
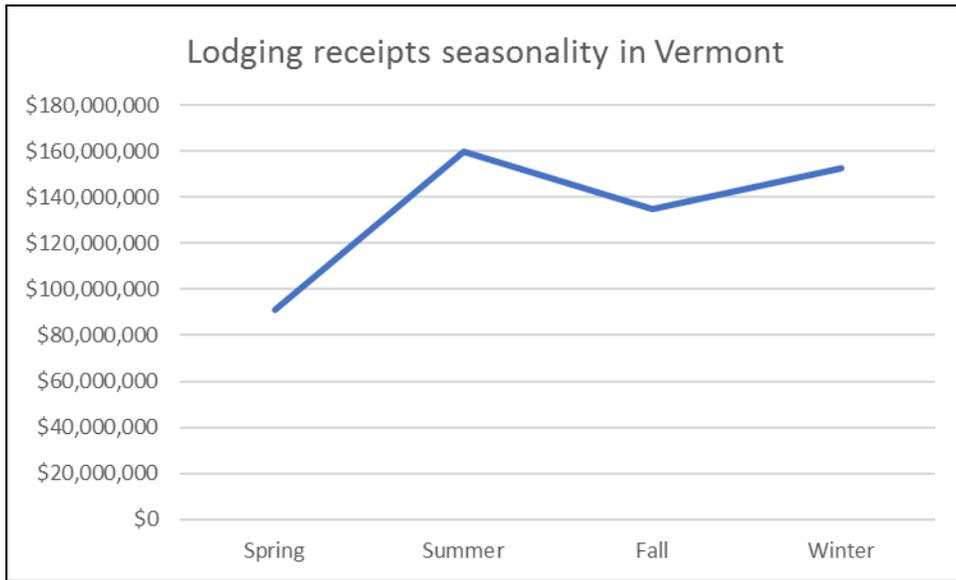
When considering the impact of tourism and recreation on the Vermont economy, it may be useful to compare the level of activity in the state with similar activities in other parts of the northeast and the US. Vermont's "location quotient" that describes the relative importance of tourism on the state's economy is an indicator that the tourism sector has a larger share of the economy than do other sectors. One example of the location quotient is the category of visitor accommodations, where, according to the US BEA, Vermont has a factor of more than three times its share of the activity (2016 LQ for Accommodations = 3.24).

Recreation and Tourism in Vermont

Past benchmark studies have noted the overlap of recreation and tourism when considering economic activity in Vermont. As the result of establishing the Vermont Outdoor Recreation Economic Council (VOREC), the Agency of Commerce and Community Development has put a focused effort into understanding the specific relationship between recreation and tourism.

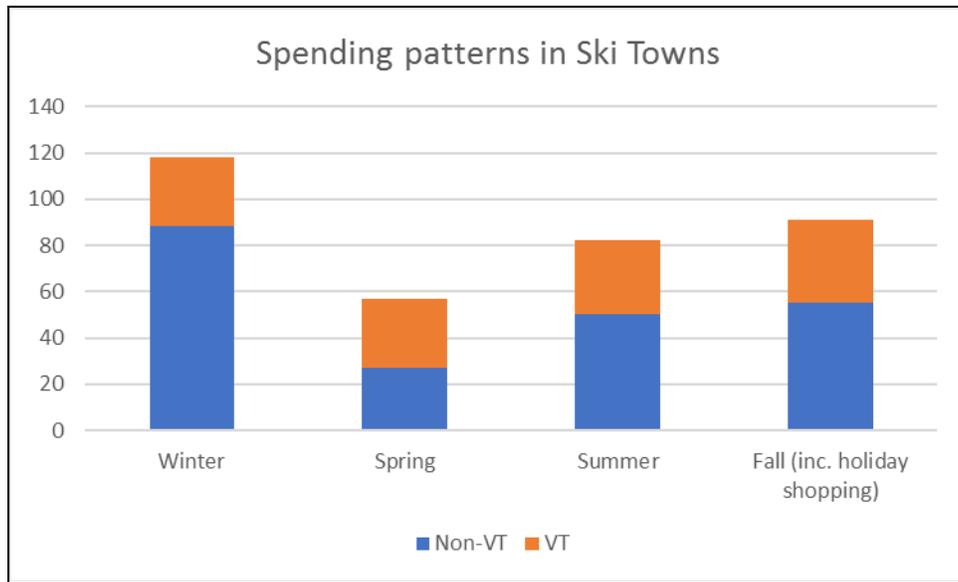
A fundamental question is: What proportion of Vermont visitors are making their decisions to visit Vermont based on the recreational opportunities in the state? While there is no absolute answer to that question, there are several observations that contribute to our understanding of tourists' choices and the importance of recreation in those choices.

The largest dollar value of recreation in Vermont is skiing and snowboarding. Skiers and riders spend approximately \$200 million each year for the use of downhill areas, spend additional millions for the purchase of equipment and spend additional large sums to travel to Vermont and use the hospitality services of the state. Vermont is unique in the northeast in having a significant winter tourism season. Our neighbors to the east (New Hampshire and Maine) and west (New York) and south (Massachusetts, Connecticut, Rhode Island and others) have a much greater proportion of recreational tourism travel in the summer months. National level statistics show that Vermont sees more than 30% of all northeastern skier days even though our population is a tiny portion of the region.

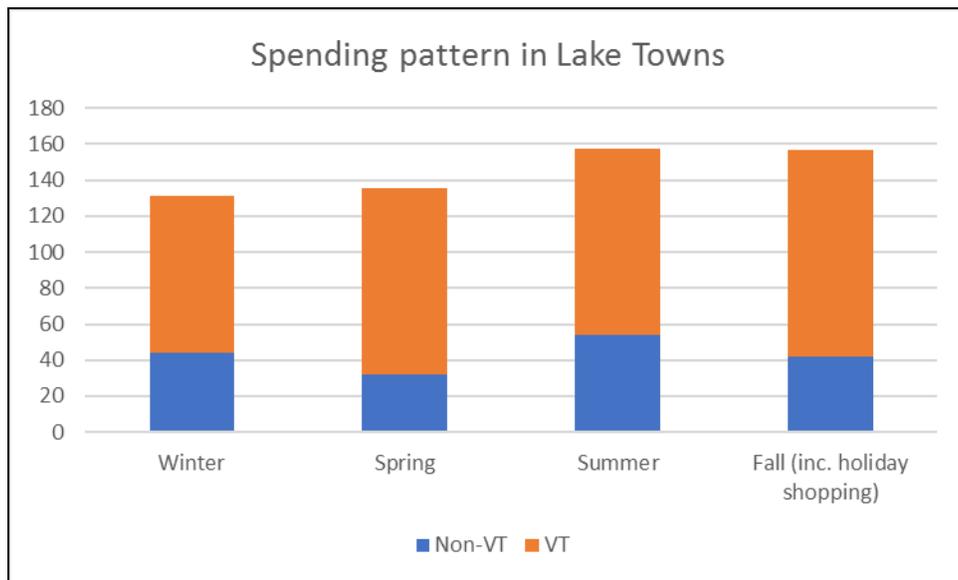


There are 35 towns used for this report that see a significant impact from ski areas. The impacts of skiing and riding on winter tourism is based on an analysis of out-of-state credit card spending in those towns.

Using credit card receipts data, the ski area communities see much greater levels of visitor spending for December through March that diminishes through the spring. There is some rebound in the summer as many ski areas host summer activities and serve as attractions for non-winter activities.



There are a broader range of recreational activities in the summer. In Vermont, there are many water-based recreations including fishing, boating, and swimming and a set of Vermont’s second homes are concentrated along the state’s lakeshores. The magnitude of spending in towns with significant lake frontage is not as dramatic as that seen in ski towns. This report includes 34 towns that are the focus of summer, lake-based activities. In fact, a review of the lodging accommodations in those towns that have significant lakefront access does not show a pattern of summer use activity that is much different from other parts of the state that host visitors but do not have the water focus.

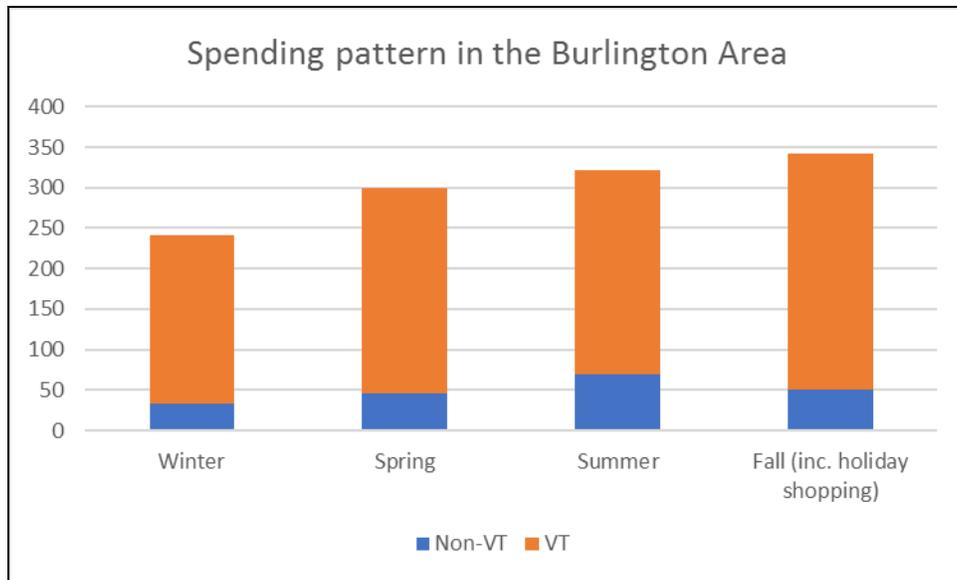


In addition to the water, visitors (and resident Vermonters) also take advantage of trails, some in the same mountains that host winter sports and some in the more gradual rolling terrain that exists throughout the state. Bicycling is another significant activity that uses both our roads and

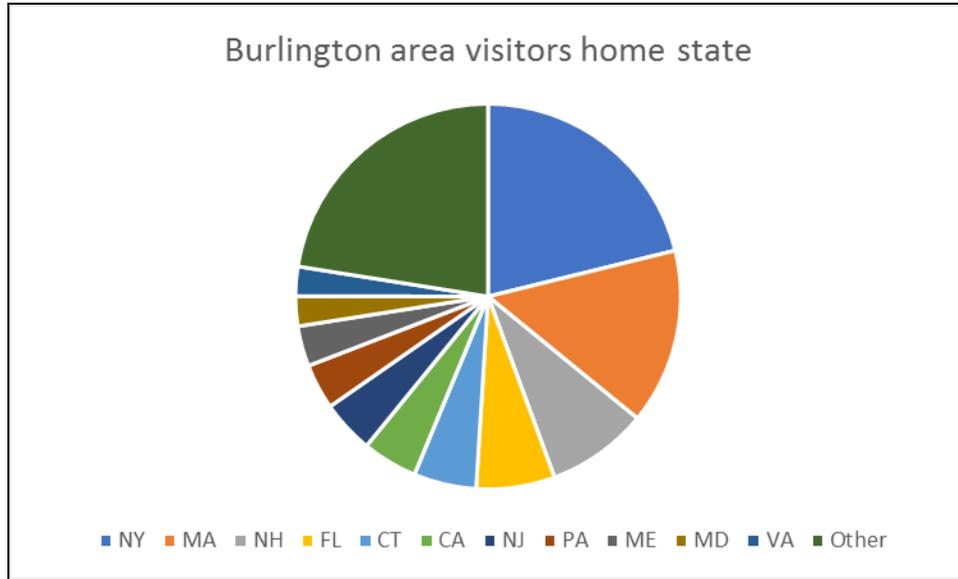
trails. Because of the distributed nature of summer activities, it is more difficult to isolate the specific economic activities associated with non-winter recreation.

As a result, the economics of summer recreation are more difficult to pinpoint to specific recreational activities, and difficult to separate from other factors that also lead to visitors choosing to come to Vermont. However, the fact remains that summer is the season that has the highest rate of visitors and tourism spending and recreation is an attribute that distinguishes Vermont from other travel destinations.

The isolation of purchases taking place in Chittenden County allows us to also look at visitor spending in the greater Burlington area. The monthly breakdown of commercial activity shows that there is less seasonality in the spending pattern in the Burlington area than for ski or lakes towns, although summer remains the time of greatest visitor spending.



The geographic pattern of visitors' home states is slightly different with Burlington area visitors and winter or lake town visitors although the similarities may be more important than the differences. Like ski and lake towns, visitors to Chittenden County are mostly from the northeast. *(Although it is evident that the Burlington area hosts a greater proportion of visitors from further distances.)*



Tax Revenues

Visitor spending in Vermont contributes tax revenues to the state and to municipalities.

The dollar value of the taxes is:

Vermont Income Tax	\$35 million
Meals and Rooms Tax	
Meals	\$44 million
Alcohol	\$10 million
Rooms	\$54 million
Sales Tax	\$30 million
Property tax (Ed fund)	\$130 million
Property tax (local government support)	\$70 million
Gasoline tax	\$18 million
TOTAL	\$391 million

Each Benchmark report includes a description of the jobs that are associated with the recreation and tourism industry. The following table identifies more than 32,000 workers making more than \$1 billion in wages from their work supporting the tourism and recreation economy. Over time, the pattern of the workforce supporting this economy remains similar with almost half of the individuals in the accommodation and food and beverage sectors and almost equal number are in the support industries (such as retail, real estate and business support)

Occupation	NAICS	Employees	% Tourism	Tourism Employees	Avg. Wage	Tourism wages (\$millions)
Accommodation	72111 (hotel,motel,inn)	11,193	95%	10,633	\$26,846	\$285.46
	721191 (B&B)	648		616	\$20,076	\$12.33
	721214 (RV park)	384		365	\$32,735	\$11.94
Restaurant and Bar	722	20,472	35%	7,165	\$19,467	\$139.48
Arts and Entertainment	7111 (Performers)	300	50%	150	\$28,753	\$4.31
	7112 (athletes)	136		68	\$63,153	\$4.29
	7113 (promoters)	336		168	\$23,523	\$3.95
	7114 (agents)	16		8	\$62,472	\$0.50
	7115 (artists)	136		68	\$45,754	\$3.11
Recreation	71391 (golf)	610	30%	183	\$25,826	\$4.72
	71392 (skiing)	283	80%	226	\$22,039	\$4.98
	71393 (Marinas)	80	50%	40	\$40,044	\$1.60
Attractions	7121 (Museums,hist.sites)	528	50%	264	\$29,589	\$7.81
	71312 (Amusement parks)	37	50%	18	\$12,700	\$0.23
Travel	4852 (Intercity bus)	161	90%	145	\$43,410	\$6.29
	4853 (Taxi and limo)	131	75%	98	\$13,836	\$1.36
	4855 (Charter bus)	Not Avail.	100%	N/A	N/A	\$3.59 ('15)
	487 (Sight seeing bus)	36	100%	36	\$36,905	\$1.33
	4811 (passenger air)	36	100%	111	\$32,270	\$3.58
	4881 (support for air)	111	100%	237	\$37,773	\$8.95
	488 (public sector air)	237	100%	50	\$84,239	\$4.21
	48549 (state road)	50	20%	91	\$49,248	\$4.49('15)
Retail	44-45	37,871	5%	1,894	\$30,518	\$57.80
Construction	23	15,181	15%	2,277	\$50,114	\$114.11
Indirect Wholesale	4233 (Lumber)	456	10%	46	\$60,719	\$2.79
	4236 (h'hold appliances)	402	10%	40	\$60,501	\$2.42
	42391 (sporting and rec)	243	10%	24	\$51,705	\$1.24
	4243 (clothing)	291	5%	15	\$53,021	\$0.26
	4249 (grocery)	1,448	10%	145	\$51,882	\$7.52
	4248 (beer and wine)	803	10%	80	\$49,095	\$3.93

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<u>Indirect</u> Retail	45431(fuel oil)	1,143	10%	114	\$51,926	\$5.92
	4451 (groceries)	8,681	5%	434	\$22,962	\$9.97
	447 (gas stations)	3,968	20%	794	\$20,556	\$16.32
<u>Indirect</u> Real Estate and Insurance	5312/5313 Real Estate	1,549	10%	155	\$43,400	\$6.73
	5242 Insurance Brokers	1,684	5%	84	\$68,543	\$5.76
<u>Indirect</u> Professional Business Services	54-56 Professional Business Services	28,449	5%	1,422	\$63,433	\$90.20
Self-employment (from non-employer database)						
	Restaurant and Accommodations	1,199	50%	599	\$39,118	\$23.43
	Arts, Entertainment and Recreation	4,554	20%	911	\$19,622	\$17.88
	Construction	8,963	15%	1,344	\$55,594	\$74.72
	Retail	4,299	5%	215	\$44,246	\$9.51
	Real Estate	5,609	15%	841	\$92,830	\$78.07
TOTAL				32,204		\$1047.01

Impacts of Visitor Expenditure

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	2016 GDP	Percent from tourism	2016 tourism related GDP
Accommodations	546	868	95%	825
Restaurants and bars	441	699	35%	245
Performing Arts and Museums	70	151	40%	60
Recreation	97	182	40%	73
Travel (Air and rail)	33	48	80%	38
Retail	1823	2435	10%	244
Wholesale	1084	1600	10%	160
Construction	1045	1164	15%	175
Utilities	432	611	10%	61
Finance, Real Estate and Insurance	3767	6364	5%	318
Professional Business Services	1638	3039	10%	304
Government	2951	4648	5%	232
TOTAL	---	---	---	2735

This total represents more than 8% of the total state GDP and that proportion has been slowly growing over the past ten years.