

Submitted by  
Pam Erickson  
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public comment  
for Ordinance #36  
(Sign ordinance)

## **TRAVEL AND THE ECONOMY**

Travel volume in Montana and the United States is influenced by economic conditions at the local, national and global levels. Conversely, travel to and within Montana affects the state economy, along with local economies within the state. As this report briefly shows, the travel industry can have considerable impact on a region's economic conditions, while itself being strongly influenced by economic conditions elsewhere. Changes in the economy have the power to impact travel volume and travel spending, which in turn affects the related economic benefits associated with travel spending. Much of this spending serves to redistribute funds to where people travel, such as from urban to rural areas or from rapidly growing areas to slower-growing ones.

### ***Travel and Tourism: A Powerful Economic Force***

Tourism's contribution to Montana's economy had been on an upward trend until 2008 when gas prices and the recent recession began affecting travel. In 2009, total impacts by nonresident travelers to Montana were \$2.3 billion in total industry output (Table 1). These economic impacts contributed to the generation of over 25,000 jobs, and over \$660 million in personal income. Nonresident travel-generated taxes at the state and local levels amounted to nearly \$153 million, while federal tax revenue exceeded \$141 million.

Part of the state tax revenue is generated by nonresident travelers' contributions to the statewide Accommodations Tax (currently at 7%). Three percent of the seven percent goes to the State General Fund. The remaining four percent is distributed to the Montana Historical Society, the University Travel Research Program, the Department of Revenue, Montana State parks, the Montana Trade Program and the Department of Commerce, which in turn distributes funds to communities and regions across the state. Further tax discussion is provided in the Travel-Generated Tax Revenue section.

### ***Travel Throughout the Economic Cycle***

Due to its economic diversity, and in contrast to many other industries, the travel industry is often considered to be relatively resistant to recessions. Although travelers are likely to take shorter trips, less expensive trips, or fewer business trips, historically, they have still traveled enough to keep the travel industry growing during recessionary periods. One recent exception is the recession of 1991-92, which coincided with the Gulf War and its inflating effect on fuel prices. In late-2000, on the other hand, as the overall economy started showing signs of a slow-down, strong consumer confidence and persistent consumer spending contributed to continued growth of the industry. Tourism took a hit as the effects of September 11, 2001 rippled through the economy, but the industry quickly rebounded. Extremely high fuel prices in the summer of 2008, as well as the first effects of the recession hitting the nation's economy, contributed to the first decrease in visitation and nonresident traveler spending in Montana in years.

In the years following a recession, the travel industry has a tendency to lag behind the overall growth rate in the economy. At this point in the economic cycle, leisure travel has to compete with the purchases of durable goods such as refrigerators and television sets--items that consumers have put off buying during the recessionary period. At the same time, consumers are planning for future travel due to improved economic conditions.

The strong economic growth for most of the 1990s benefited Montana as a travel destination, but not to the same degree as other destinations (i.e., Florida, Hawaii, international destinations). Part of this is due to travelers going on once-in-a-lifetime vacations to exotic destinations because of their increased



incomes and job security. Other travelers simply vacationed more often to the major tourist destinations (resorts, amusement parks, etc.).

The economic downturn of late-2000 through late-2003 had less effect on Montana's travel industry than it did for much of the country. In those more difficult economic times, compounded by the events of September 11, 2001, travelers sought out more affordable domestic destinations and ones they perceived as safe, qualities that Montana could satisfy. Many travelers who might have wanted to visit Montana in the past, but did not make the trip, now had more reasons to visit the state. Likewise, travelers looking for ways to offset the high cost of fuel on their vacations, affecting not only the cost of driving to destinations, but the cost of flying as well, may opt to stay closer to home, drive rather than fly (particularly families), and choose less expensive vacation spots, such as national parks or state parks, over resort vacations or amusement parks.

In addition to the high cost of fuel affecting people's travel decisions, the recession was clearly taking a toll on people's lifestyles by late in 2008, further affecting many of their economic decisions, including whether or not to travel. Travel and tourism decreased nationwide, and Montana did not escape the downward trend during the last two years.

**Table 1: Economic Impacts<sup>1</sup> of Nonresident Travel in Montana, 2009**

Key Measurement	Direct Impact	Indirect Impact	Induced Impact	Total Impact
<b>2008 Impacts (2009\$)</b>				
Total Industry Output <sup>2</sup>	\$1,838,200,000	\$520,900,000	\$424,700,000	\$2,783,900,000
Contribution to Individuals				
Personal Income <sup>3</sup>	\$529,600,000	\$135,300,000	\$124,900,000	\$789,800,000
Employment <sup>4</sup>	23,330	3,760	4,070	31,160
Contribution to Governments				
Federal Taxes	N/A	N/A	N/A	\$168,600,000
State/Local Taxes	N/A	N/A	N/A	\$180,200,000
<b>2009 Impacts</b>				
Total Industry Output <sup>2</sup>	\$1,541,400,000	\$429,600,000	\$357,300,000	\$2,328,300,000
Contribution to Individuals				
Personal Income <sup>3</sup>	\$446,700,000	\$110,000,000	\$104,500,000	\$661,200,000
Employment <sup>4</sup>	19,160	2,980	3,340	25,480
Contribution to Governments				
Federal Taxes	N/A	N/A	N/A	\$141,600,000
State/Local Taxes	N/A	N/A	N/A	\$152,900,000

Source: ITRR.

<sup>1</sup>Definitions: *Direct impacts* result from the purchases of goods and services made by nonresident travelers; *Indirect impacts* result from the purchases made by travel-related businesses (e.g., suppliers); *Induced impacts* result from purchases by those employed in travel-related occupations. The *total impact* is the sum of these impacts.

<sup>2</sup>Industry output is defined as the value of an industry's total production.

<sup>3</sup>Comprises both employee compensation and proprietor income.

<sup>4</sup>Includes full-and part-time annual jobs.

Other travelers simply responded more often to the high quality of the service than to the low cost of the service.

The results of the study on the effect of information on travelers' travel behavior are shown in Table 1. The results show that the information provided by the study had a significant effect on travelers' travel behavior. The results show that the information provided by the study had a significant effect on travelers' travel behavior. The results show that the information provided by the study had a significant effect on travelers' travel behavior.

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Table 1. The Effect of Information on Travelers' Travel Behavior

Information	Travelers' Travel Behavior	Travelers' Travel Behavior	Travelers' Travel Behavior	Travelers' Travel Behavior
1. Information on the quality of the service	2. Information on the cost of the service	3. Information on the location of the service	4. Information on the availability of the service	5. Information on the safety of the service
6. Information on the reliability of the service	7. Information on the comfort of the service	8. Information on the convenience of the service	9. Information on the speed of the service	10. Information on the flexibility of the service
11. Information on the value of the service	12. Information on the reputation of the service	13. Information on the history of the service	14. Information on the awards of the service	15. Information on the testimonials of the service
16. Information on the reviews of the service	17. Information on the ratings of the service	18. Information on the scores of the service	19. Information on the grades of the service	20. Information on the marks of the service

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## TRAVEL VOLUME

### *Nonresident Travel in Montana*

- Nonresident travel to Montana, including both pleasure and business travel<sup>6</sup>, decreased in 2009 to just under 10 million individual travelers, which was nearly level with 2008 visitation. Overall, the 2009 figure is a 0.1 percent decrease from 2008 and a 6.0 percent increase over 1999 visitation (Table 2, Figure 1).
- Nonresident travel *groups* (2.44 nonresident travelers per group) increased 0.2 percent from 2008 to 2009 (Table 2, Figure 2). Over the 11-year period from 1999 to 2009, groups of nonresident travelers increased a cumulative 5.2 percent.
- Of the 4,684,000 people who visited Montana during the 3<sup>rd</sup> quarter of 2009 (July-September), 56 percent were here primarily for vacation, and 17 percent were visiting friends or relatives (Figure 3). During 4<sup>th</sup> quarter, 2009 (October-December), 1,423,000 people visited the state, of whom 29 percent were passing through, 24 percent were visiting friends or relatives, and 23 percent were vacationing (Figure 4).

**Table 2: Montana Nonresident Travel Volume, 1999-2009**

Year	Nonresident Visitors	Percent change from previous year	Nonresident Travel Groups	Percent change from previous year
1999	9,428,000	1.6%	3,900,000	1.6%
2000	9,465,000	0.4	3,916,000	0.4
2001	9,552,000	0.9	3,931,000	0.4
2002	9,767,000	2.3	4,009,000	2.0
2003	9,670,000	-1.0	4,177,000	4.2
2004	9,800,000	1.3	4,241,000	1.5
2005	10,126,000	3.3	4,129,000	-2.6
2006	10,378,000	2.5	4,236,000	2.6
2007	10,684,000	2.9	4,360,000	2.9
2008	10,000,000	-6.4	4,092,000	-6.1
2009	9,992,000	-0.1	4,101,000	0.2
Total Increase 1999-2009	564,000	6.0%	201,000	5.2%

Source: ITRR.

<sup>6</sup> While nonresident travel to Montana includes both pleasure and business travel, excluded from the survey are business vehicles such as semi-trucks, as well as vehicles with state and federal government license plates.

STATEMENT OF WORK

STATEMENT OF WORK FOR THE PROJECT

The project is to be completed by the end of the year. The project is to be completed by the end of the year. The project is to be completed by the end of the year.

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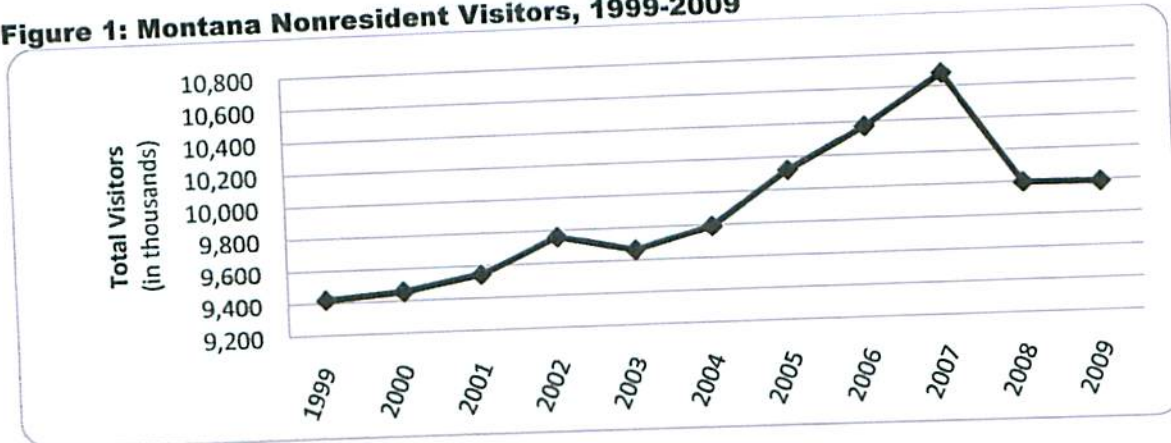
STATEMENT OF WORK FOR THE PROJECT

Item	Description	Quantity	Unit Price	Total Price
1	Item 1	100	100.00	10000.00
2	Item 2	200	200.00	40000.00
3	Item 3	300	300.00	90000.00
4	Item 4	400	400.00	160000.00
5	Item 5	500	500.00	250000.00
6	Item 6	600	600.00	360000.00
7	Item 7	700	700.00	490000.00
8	Item 8	800	800.00	640000.00
9	Item 9	900	900.00	810000.00
10	Item 10	1000	1000.00	1000000.00
TOTAL				5000000.00

STATEMENT OF WORK

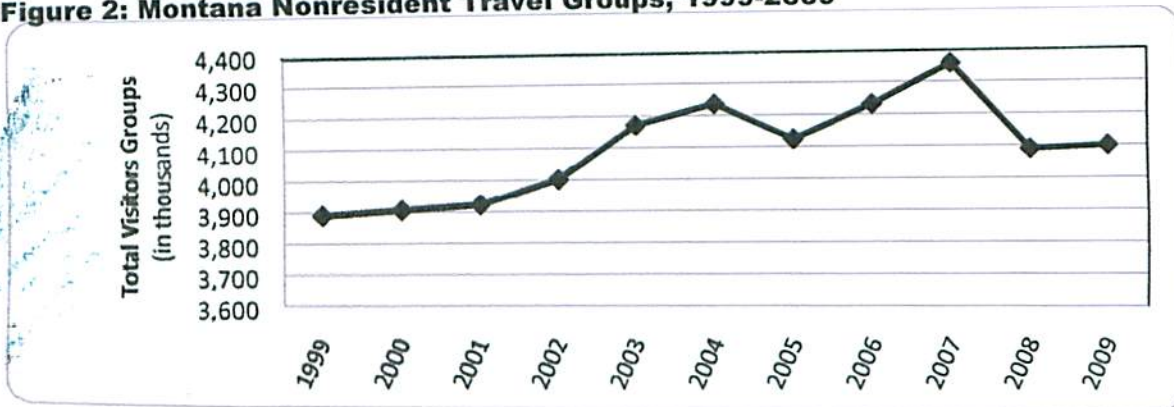
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**Figure 1: Montana Nonresident Visitors, 1999-2009**



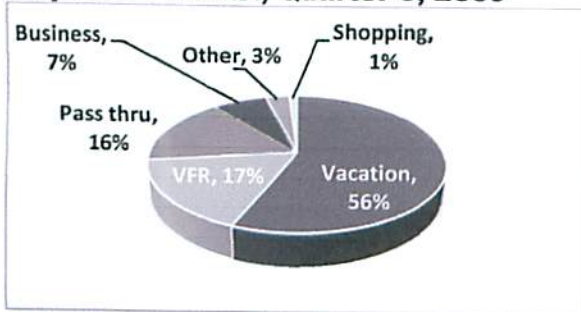
Source: ITRR.

**Figure 2: Montana Nonresident Travel Groups, 1999-2009**



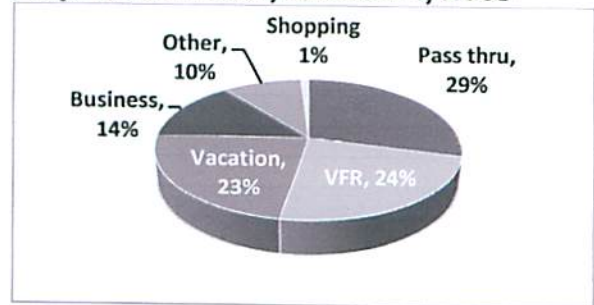
Source: ITRR.

**Figure 3: Montana Nonresident Primary Purpose of Travel, Quarter 3, 2009<sup>1</sup>**



Source: ITRR.

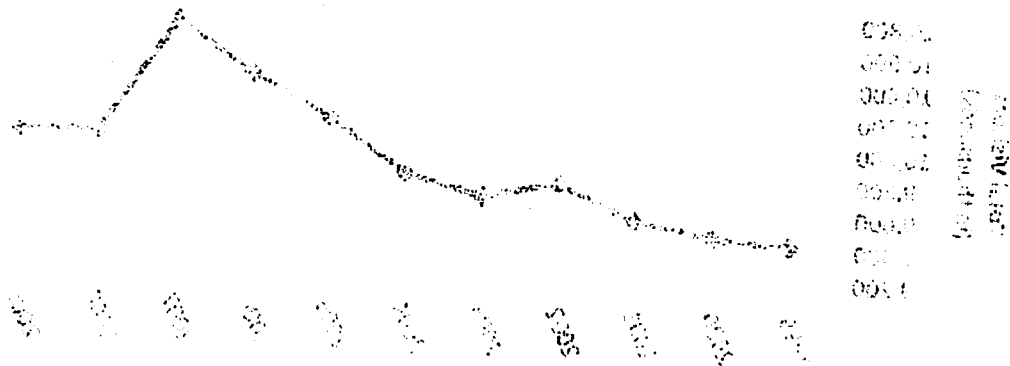
**Figure 4: Montana Nonresident Primary Purpose of Travel, Quarter 4, 2009<sup>1</sup>**



Source: ITRR.

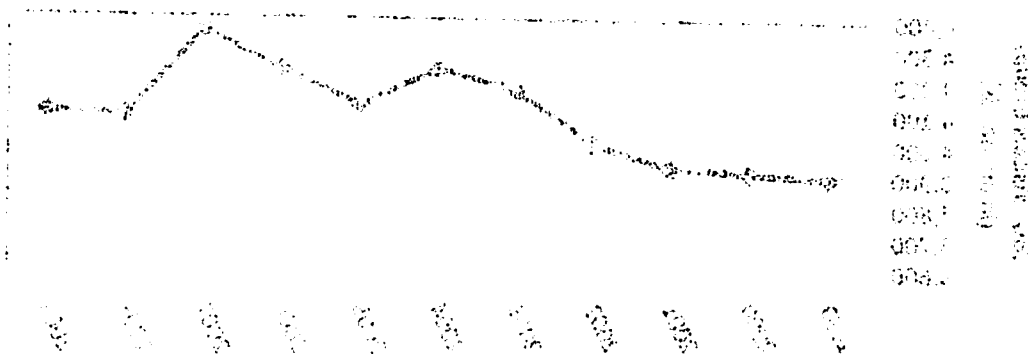
<sup>1</sup>The percentages of nonresidents' primary purpose of travel are based on data collected for Quarters 3 & 4, 2009. A full year of Montana Nonresident Travel Survey data was not collected in 2009.

Figure 1: Monthly Investment Returns, 1990-2000



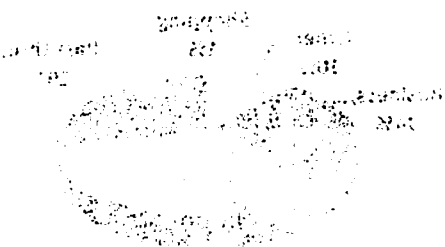
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Figure 2: Quarterly Investment Returns, 1990-2000



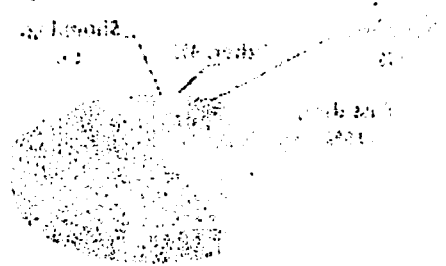
Source: [illegible]

Figure 3: Quarterly Investment Returns, 1990-2000



Source: [illegible]

Figure 4: Quarterly Investment Returns, 1990-2000



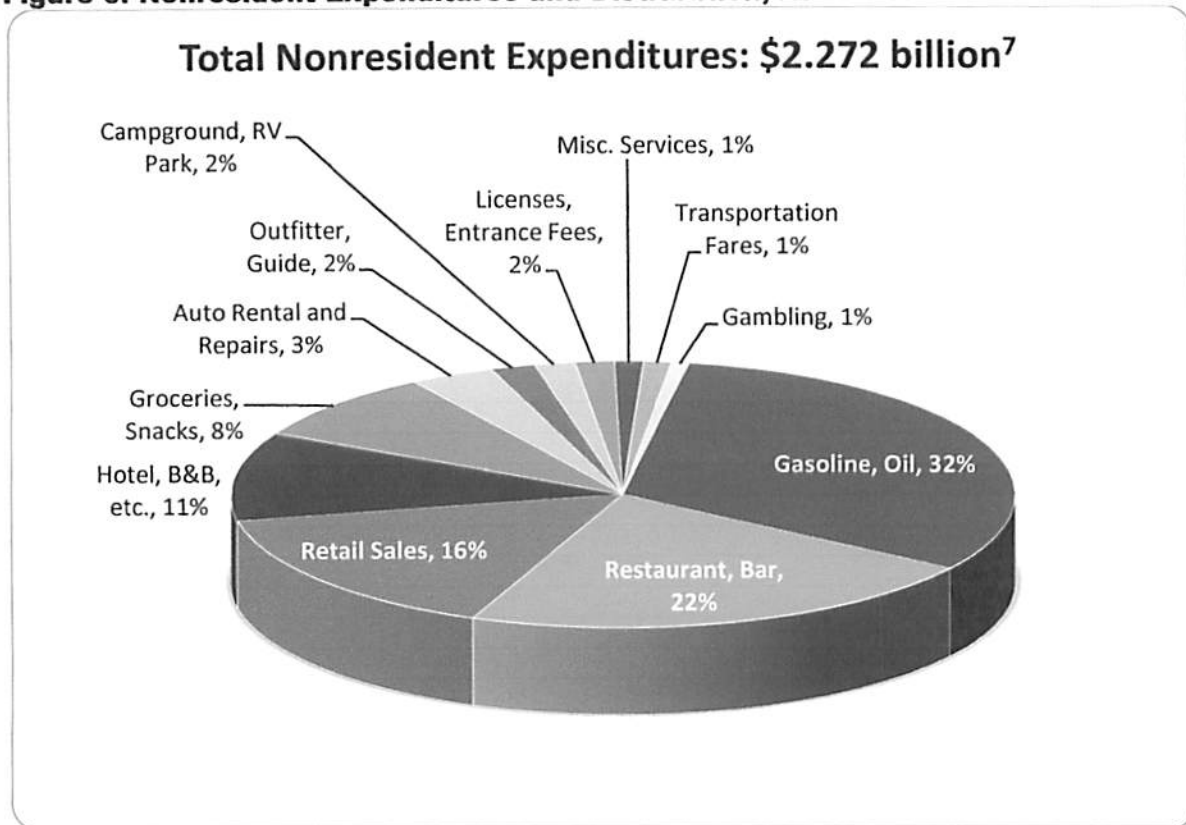
Source: [illegible]

The data for these figures was obtained from the [illegible] database. The data was not available for the period [illegible].

### ***Nonresident Expenditures in Montana***

- It is estimated that nonresident travelers spent \$2.272 billion<sup>7</sup> on travel-related goods and services in Montana in 2009. The largest spending category was gasoline and oil, accounting for 32 percent of the total, or approximately \$710 million (Figure 5).
- Purchases at restaurants and bars constituted the second-largest spending category, representing 22 percent of the total, or \$498 million.
- Retail sales comprised 16 percent of total expenditures, over \$358 million, while lodging accounted for 11 percent, or over \$240 million.

**Figure 5: Nonresident Expenditures and Distribution, 2009**



Source: ITRR.

Note: Percentages may not add to 100% due to rounding.

<sup>7</sup> 2009 expenditure estimate is based on Q1 & Q2, 2008 expenditure estimates (derived from 2005 spending patterns), adjusted by -18% for changes in the economy, and Q3 & Q4, 2009 estimates.

### ***Nonresident Expenditure Trends***

- Nonresident travel expenditures, including both domestic and international visitors, totaled \$2.272 billion in 2009 (Table 3).
- As of 2008, travel expenditures constituted 7.6 percent of Gross Domestic Product by State.

**Table 3: Nonresident Travel Expenditures and Gross Domestic Product by State, 1999-2009**

Year	Nonresident Travel Expenditures in Montana (millions 2009\$)	% change from previous year	Gross Domestic Product by State <sup>1</sup> (millions 2009\$)	% change from previous year	Nonresident Travel Expenditures as % of GDP by State
1999	\$2,062	1.6%	\$26,276	0.4%	7.8%
2000	\$2,071	0.4	\$26,619	1.3	7.8
2001	\$2,090	0.9	\$27,221	2.3	7.7
2002	\$2,154	3.1	\$28,096	3.2	7.7
2003	\$2,193	1.8	\$29,762	5.9	7.4
2004	\$2,232	1.8	\$31,178	4.8	7.2
2005	\$3,037	N/A <sup>2</sup>	\$32,723	5.0	9.3
2006	\$3,112	2.5	\$33,834	3.4	9.2
2007	\$3,203	2.9	\$35,455	4.8	9.0
2008	\$2,718	-15.2	\$25,763	0.9	7.6
2009	\$2,272	-16.4	N/A	N/A	N/A

Sources: ITRR; U.S. Bureau of Economic Analysis.

<sup>1</sup> "GDP by State" is simply defined by the BEA as "the value added in production by the labor and property located in a state." GDP is a similar concept but at the national level (and includes military expenses abroad). For more detail, see Beemiller et al. 1999.

<sup>2</sup> Due to new data in the Institute's Nonresident Visitation Estimation Model and Nonresident Expenditure Estimation Model, the 2005 figure should not be compared to previous years.

### Management Expense Trends

Management expense trends are shown in the following table. Management expenses are reported in thousands of dollars.

Management expenses for the three periods ended December 31, 2009, 2008 and 2007 are as follows:

Table 1: Management Expense Trends (in thousands of dollars)

Year	Q4	Q3	Q2	Q1	Q4	Q3
2009	1,200	1,150	1,100	1,050	1,000	950
2008	1,100	1,050	1,000	950	900	850
2007	1,000	950	900	850	800	750
2006	900	850	800	750	700	650
2005	800	750	700	650	600	550
2004	700	650	600	550	500	450
2003	600	550	500	450	400	350
2002	500	450	400	350	300	250
2001	400	350	300	250	200	150
2000	300	250	200	150	100	50
1999	200	150	100	50	0	0

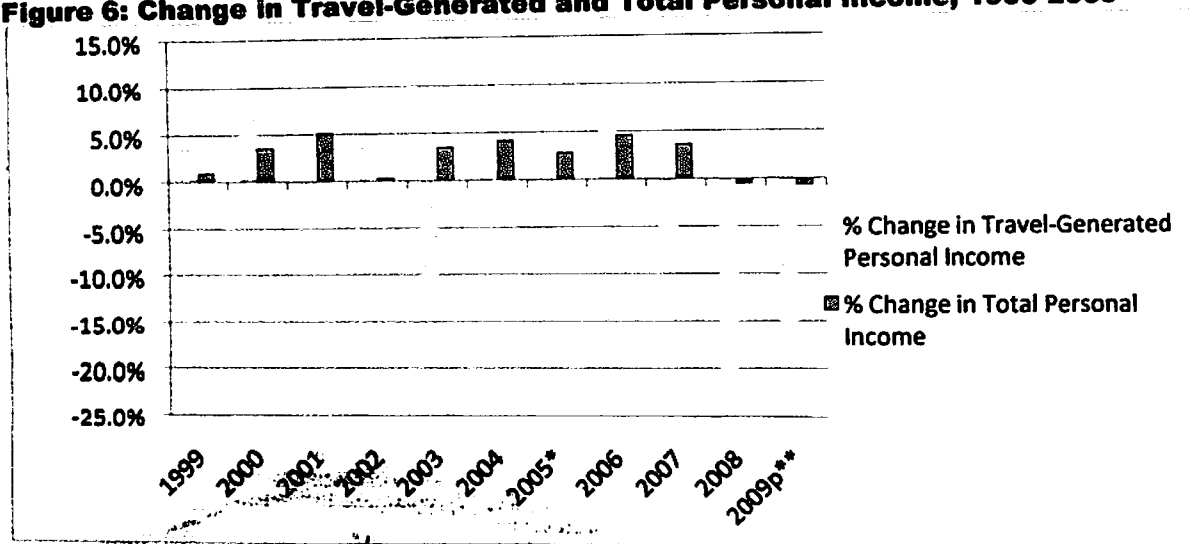
The management expense trends shown in the table above are based on the management expense trends reported in the company's financial statements. Management expenses are reported in thousands of dollars. The management expense trends shown in the table above are based on the management expense trends reported in the company's financial statements. Management expenses are reported in thousands of dollars.

## TRAVEL-GENERATED INCOME

Personal income generated from the expenditures of nonresident visitors to Montana is comprised of two categories: employee compensation, which is wages and salary income paid to employees of businesses within the travel industry; and proprietors' income, which is the income of self-employed workers in businesses serving travelers.

- In 2009, total personal income paid by travel-related firms in Montana attributable to nonresident visitor spending totaled over \$660 million (Table 4).
- On average, every dollar spent by nonresident travelers in Montana in 2009 generated 29.8 cents in wage and salary income for Montana residents. The national equivalent is 26.4 cents.<sup>8</sup>
- Personal income generated by nonresident spending in Montana constituted 2.0 percent of Montana residents' total personal income in 2009, compared to 1.6 percent at the national level.<sup>9</sup>
- Figure 6 shows that both total personal income and travel generated income decreased in 2008 and 2009, although the decrease was much more pronounced in travel generated personal income.

**Figure 6: Change in Travel-Generated and Total Personal Income, 1999-2009**



Sources: ITRR; U.S. Bureau of Economic Analysis (SA04).

\*Travel-generated income in 2005 cannot be compared with the previous year due to changes in model data.

\*\*2009 Total personal income preliminary; Travel-generated personal income is based on newly collected nonresident data and new IMPLAN model.

<sup>8</sup> U.S. Travel Association, 2010; 2009 total travel expenditures in the U.S. and travel-generated payroll.

<sup>9</sup> Based on Bureau of Economic Analysis (SA04) and U.S. Travel Association estimates.

TABLE 2.1 - FEDERAL GOVERNMENT REVENUE

Revenue from the sale of federal lands and other property, including the sale of surplus property, is reported in the schedule of federal assets and liabilities. Revenue from the sale of federal lands and other property, including the sale of surplus property, is reported in the schedule of federal assets and liabilities.

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Table 2.1 - Federal Government Revenue, 1950-1960

Year	Total Revenue	Individual Income Tax	Corporate Income Tax	Excise Tax	Social Security Tax	Other
1950	100.0	35.0	15.0	10.0	10.0	30.0
1951	105.0	38.0	16.0	11.0	11.0	31.0
1952	110.0	41.0	17.0	12.0	12.0	32.0
1953	115.0	44.0	18.0	13.0	13.0	33.0
1954	120.0	47.0	19.0	14.0	14.0	34.0
1955	125.0	50.0	20.0	15.0	15.0	35.0
1956	130.0	53.0	21.0	16.0	16.0	36.0
1957	135.0	56.0	22.0	17.0	17.0	37.0
1958	140.0	59.0	23.0	18.0	18.0	38.0
1959	145.0	62.0	24.0	19.0	19.0	39.0
1960	150.0	65.0	25.0	20.0	20.0	40.0

Source: Bureau of Economic Analysis (BEA). Revenue from the sale of federal lands and other property, including the sale of surplus property, is reported in the schedule of federal assets and liabilities.

**Table 4: Travel-Generated and Total Montana Personal Income, 1999-2009**

Year	Travel-Generated Personal Income (millions 2009\$)	% change from previous year	Total Personal Income (millions 2009\$)	% change from previous year	Travel-Generated Income as % of Total Personal Income
1999	\$862	3.7%	\$25,206	1.1%	3.4%
2000	\$944	9.5	\$25,479	3.7	3.6
2001	\$931	-1.3	\$26,413	5.2	3.4
2002	\$976	4.8	\$27,779	0.3	3.5
2003	\$861	-11.1	\$27,870	3.6	3.0
2004	\$868	0.8	\$28,860	4.3	2.9
2005	\$1,102 <sup>1</sup>	N/A <sup>1</sup>	\$30,091	2.9	3.6
2006	\$1,159	5.2	\$30,954	4.7	3.6
2007	\$1,092	-5.8	\$32,400	3.7	3.2
2008	\$821	-24.8	\$33,602	-0.6	2.5
2009	\$677 <sup>2</sup>	-17.5 <sup>2</sup>	\$33,396	-0.7	2.0

Sources: ITRR; U.S. Bureau of Economic Analysis.

<sup>1</sup>Due to new IMPLAN model data and structural matrices, as well as new data in the Institute's Nonresident Expenditure Estimation Model, the 2005 figure should not be compared to previous years.

<sup>2</sup>The 2009 figure is based on updated IMPLAN model data and new IMPLAN software. Changes in model data are reflective of changes in Montana's economy, as indicated by economic data recorded by multiple federal agencies.

TABLE 1. Summary of the results of the analysis of variance for the dependent variables

Source	df	MS	F	p	MS	F	p
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
Within groups	14	13.193			13.193		
Total	15						
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
Within groups	14	13.193			13.193		
Total	15						
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
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Total	15						
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
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Total	15						
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
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Total	15						
Between groups	1	114.812	8.7	0.002	114.812	8.7	0.002
Within groups	14	13.193			13.193		
Total	15						

MS = Mean Square; df = degrees of freedom; F = F-ratio; p = probability of error.

TABLE 2. Summary of the results of the analysis of variance for the dependent variables

MS = Mean Square; df = degrees of freedom; F = F-ratio; p = probability of error.