



GALVESTON

★ ISLAND ★

TOURISM ECONOMIC IMPACT ANALYSIS

PREPARED BY:



2008

As one of the historical and cultural gems of the Texas Gulf Coast, Galveston is one of the leading tourist destinations in the state. In 2007 alone, an estimated 5.4 million tourists visited the City of Galveston. Such a robust tourism industry is all the more impressive given the relatively small size of the city. With fewer than 60,000 permanent residents, the City of Galveston hosts an annual number of visitors that exceeds its own population by a factor of ninety.

Unsurprisingly, tourism is one of Galveston's most important engines of economic growth. Through purchases on such travel-related expenses as lodging, dining, and entertainment, tourists were directly responsible for spending more than \$561 million in the City of Galveston in 2007. Through local sales tax and hotel occupancy taxes, direct spending by tourists generated over \$14.9 million in revenue for the city.

COMPONENTS OF TOURISM ECONOMIC IMPACT			
	DIRECT	INDIRECT & INDUCED	TOTAL
Total Spending	\$561,319,000	\$247,243,000	\$808,562,000
Employment	9,310	2,250	11,560
Average Annual Wage	\$20,610	\$25,300	\$21,500
Local Tax Revenues	\$34,470,000	\$5,462,600	\$39,932,600
Retail Sales Revenue	\$6,330,000	\$298,000	\$6,628,000
Hotel Occupancy Revenue	\$9,567,000	\$0	\$9,567,000
Commercial Property Tax Revenues	\$11,966,000	\$2,866,600	\$14,832,600
Residential Property Tax Revenues	\$6,826,000	\$2,298,000	\$9,124,000

Source: AngelouEconomics

Property taxes supported by retailers and hotels patronized by tourists contributed an additional \$11.0 million in local tax revenues.

Additionally, Galveston's tourism industry directly employs a significant portion of the city's workforce. In 2007, Galveston's tourism industry was directly responsible for approximately 9,300 jobs in the City of Galveston. This figure represents more than 30% of all jobs within the city. With combined wages of over \$191 million dollars, tourism industry workers represent a vital source of spending power and tax revenues in the City of Galveston.

In 2007, workers directly employed in Galveston's tourism industry generated approximately \$1 million in sales tax revenue. Retail space supported by retail spending by individuals directly employed within Galveston's tourism industry contributed approximately nearly \$1 million in local property taxes. Additionally, workers directly employed in Galveston's tourism industry represent an important source of residential property taxes. In 2007, local property tax revenues generated from rental and owner-occupied dwelling units inhabited by tourism industry employees totaled \$6.8 million.

While direct expenditures by tourists and Galveston residents employed in the tourism industry produce the bulk of tourism's economic impact upon the City of Galveston, the industry sustains further indirect spending within the local economy. In 2007, indirect and induced spending related to tourism totaled \$247.2 million (*all indirect and induced figures are based on calculations provided by the IMPLAN input-output model*). The tourism industry indirectly supports an additional 2,250 workers within Galveston with total wages near \$56.9 million. Collectively, these indirect workers of the tourism industry are responsible for over more than \$298,000 in local retail sales tax revenues. Additionally, retail space in Galveston supported by such expenditures generated nearly \$287,000 in commercial property tax revenues in 2007. Finally, residential property inhabited by workers indirectly supported by Galveston's tourism industry generated nearly \$2.3 million in local property taxes in 2007.

Ultimately, the impact of tourism upon Galveston's economy is driven by the island's major events and attractions, including Dickens on the Strand, the Lone Star Rally, Mardi Gras! Galveston, and Moody Gardens. Individual impacts include (based on available information):

Dickens on the Strand

- In 2007, Dickens on the Strand drew an estimated 30,000 visitors to downtown Galveston.
- The total economic impact of Dickens on the Strand totaled \$1.2 million.
- Dickens on the Strand also generated \$90,500 in local tax revenue for the City of Galveston.

Lone Star Rally

- The Lone Star Rally attracted over 450,000 motorcycle enthusiasts to Galveston in 2007
- The economic impact of the rally exceeded \$31.1 million in 2007.
- Tax revenues generated by spending attributable to the Lone Star Rally totaled \$430,300

Mardi Gras! Galveston

- In 2007, more than 200,000 visitors participated in Mardi Gras! Galveston
- The economic impact of the festivities exceeded \$22.1 million.
- Tax revenues generated by spending attributable to attendees of Mardi Gras! Galveston totaled \$621,000.

Moody Gardens

- In 2007, Moody Gardens welcomed more than 2 million visitors.
- The total economic impact of Moody Gardens reached nearly \$100 million.
- Direct spending by visitors to Moody Gardens generated \$1.4 million in local tax revenues.

Despite the impressive figures posted by these individual events and attractions, the beaches of Galveston remain the city's premier attraction; according to visitor surveys. The vast majority of all tourists to Galveston visit local beaches. Though commonly perceived as the city's most compelling natural feature, existing beaches in Galveston are largely the result of significant funding and deliberate efforts by local, state, and national interests.

In 1995, the City of Galveston completed an ambitious restoration and renourishment project aimed at enlarging and stabilizing the portion of the beach extending from 10th Street to 61st Street. The cost of the entire project totaled approximately \$27.6 million (*in 2007 dollars*). Since the completion of the beach restoration and renourishment project, the impact of tourism on Galveston's economy has grown significantly.

Between 1990 and 1994, the economic impact of tourism in the City of Galveston contracted at an annual rate of -1.59%. Although this period was marked by a national recession, other tourist destinations within the state showed few signs of sluggishness. From 1990-1994, for example, the economic impact of tourism throughout the entire Gulf Coast region increased at an annual rate of 2.15%. In short, the faltering tourism industry in Galveston demonstrated the relative decline of the city's attractiveness to visitors; while tourists continued to travel, they increasingly explored alternatives to Galveston.

Since 1995, the economic impact of tourism in the City of Galveston has grown by an annual average rate of 3.11%. In 1994, the economic impact of tourism in Galveston was \$371.9 million (*in 2007 dollars*). By 2007, the economic impact of tourism in the City of Galveston totaled \$561.4 million. If Galveston had continued to experience such a weak growth rate in the years after 1994, today the economic impact of the tourism industry would total just \$283.3 million, half its current level.

Cumulatively, the difference between the observed growth rate of tourism's economic impact upon Galveston and the alternative growth rate based on pre-renourishment figures is staggering; *since 1995, increased levels of growth have represented an additional \$1.96 billion (in 2007 dollars) in tourism fueled economic activity in Galveston*. Assuming a constant proportion of economic activity to local tax revenues based on 2007 calculations, cumulative tax revenues attributable to increased tourism since 1995 total \$120.6 million (*in 2007 dollars*). *Thus, every \$1 of public funds dedicated towards beach restoration and renourishment in Galveston produces over \$4 in local tax revenues*.

From a fiscal perspective, beach restoration and renourishment in Galveston is ultimately a revenue generating activity. Increased economic activity associated with the availability of beaches within Galveston produces substantial gains in overall tourism, benefiting companies, residents, and the city alike.

Annual Galveston Visitors

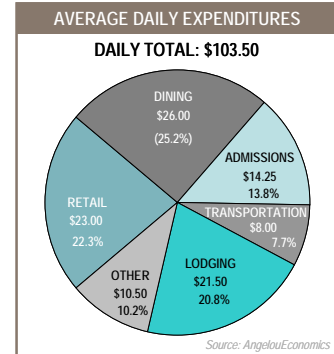
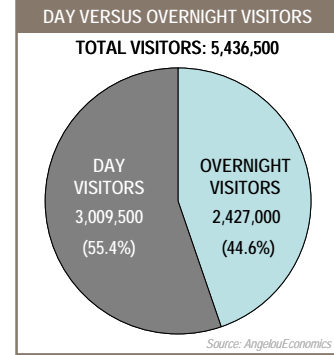
In 2007, over 5.4 million tourists visited the City of Galveston. Of this total, approximately 3 million tourists visited Galveston for a single day. An additional 2.4 million tourists spent one or more nights in Galveston.

TOTAL SPENDING

Direct Daily Expenditures by Tourists

On average, tourist expenditures in Galveston totaled approximately \$103 per person per day. This figure represents the weighted average of both day trippers and overnight visitors. As a result, spending within a particular category may appear unusually low due to the fact that not all travelers make expenditures in every spending category.

Dining represents the single largest spending category, with an average daily expenditure of \$26. Retail expenditures, at \$23 per person per day, represent the second largest spending category. Lodging is the third largest category of visitor expenditure, with a daily average of \$21.50. The fourth largest category of daily tourist expenditures, Admissions, totaled \$14.25. This includes the prices of admission to attractions such as Schlitterbahn and Moody Gardens. At \$8, Transportation expenditures on such expenses as gas and parking represent the smallest single category of tourism expenditures. Finally, visitors spend on average \$10.50 on expenses such as groceries, fishing licenses, and other miscellaneous items.



Visitor Fiscal Implications

Three of the preceding categories of tourists' expenditures have especially important fiscal impacts. Together, Dining and Retail expenditures by tourists totaled \$266 million dollars in 2007. As both of these categories are subject to local sales tax, dining and retail purchases by tourists generated \$5.3 million in revenue for the City of Galveston. This figure represents just under a third of all sales tax revenues received by the City of Galveston in 2007.

Lodging expenditures represent the third crucial source of funding for the City of Galveston. In 2007, tourists spent more than \$116 million dollars on hotels and other types of lodging, generating nearly \$10 million in hotel occupancy tax revenues for Galveston. Additionally, property taxes levied on local hotels produced more than \$5.8 million in revenues.

Direct Tourism Employment & Wages

In 2007, the tourism industry within the City of Galveston employed approximately 9,300 workers. Reflecting the expenditures of tourists, these employees primarily work in such sectors as retail, dining, and lodging. On average, employees in Galveston's tourism sector annually earned \$20,610. Thus, direct wages among Galveston's tourism industry workers totaled \$191.8 million in 2007.

Direct Tourism Employment Fiscal Implications

Slightly less than half of workers in Galveston's tourism industry—4,275 employees—reside in the City of Galveston, with the remaining workers commuting from neighboring communities. The wages earned by these workers in Galveston's tourism industry significantly contribute to the city's coffers.

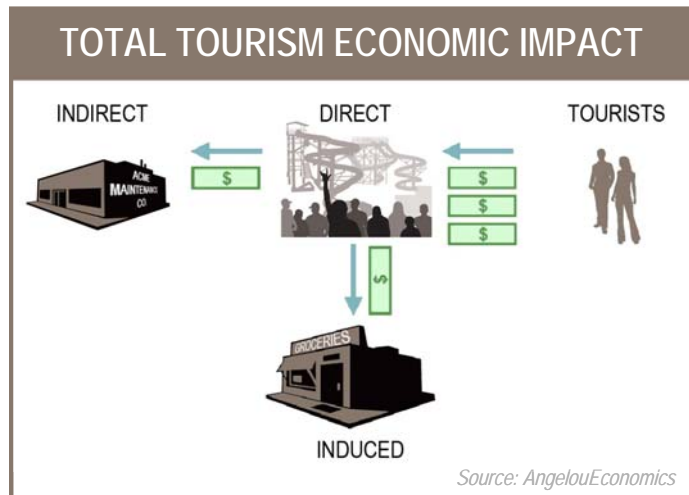
In 2007, tourism industry workers residing within Galveston spent \$50.2 million on retail purchases, generating \$1 million in retail sales tax revenues. Additionally, retail space supported by worker expenditures generated \$967,500 in local property taxes.

Workers in Galveston's tourism industry also support a significant level of property taxes through the purchase of housing and the rental of multi-family units. In 2007, Galveston's tourism industry workers generated \$9.3 million in local property tax revenues.

Theoretical Framework

The analysis on the preceding page was limited to economic activity directly generated by the expenditures of tourists within Galveston and the workers that directly serve them. A direct economic impact attributable to Galveston tourists, for example, would include revenues of a local theme park earned through visitor patronage.

The total economic impact of Galveston's tourism industry, however, extends beyond direct visitor expenditures. Tourism generates additional wealth within any community through indirect and induced impacts. A



typical indirect impact attributable to tourism might include the increased revenue of a local company that performs maintenance operations on theme park attractions. Induced effects are the household spending of individuals who experience increased earnings as a result of tourism-related expenditures. Groceries and other goods and services purchased by a theme park employee supported by visitor admissions are representative of induced impacts.

The following indirect and induced impacts are based on calculations provided by the IMPLAN input-output model and are specific to Galveston. These impacts are notably subdued in comparison to other jurisdictions, reflecting the large scale of leakage experienced within the City of Galveston. Given Galveston's proximity to Houston, it is unsurprising that much of the indirect and induced impacts flow outside of the community.

Indirect & Induced Spending, Employment, and Wages

In 2007, the tourism industry in Galveston injected an additional \$247.2 million into the local economy through indirect and induced spending. These expenditures supported 2,250 workers locally. On average, these workers earned \$25,300 annually. Thus, indirect and induced wages generated by Galveston's tourism industry totaled \$ 56.9 million in 2007.

Indirect & Induced Employment Fiscal Implications

Of the 2,250 indirect and induced workers supported by tourism, approximately 46% reside permanently in Galveston (with the remaining workers commuting from nearby communities). Just as direct workers in the tourism industry contribute to public revenues through retail sales and housing expenditures, indirect and induced workers generate sales and property tax through purchases of their own.

In 2007, tourism's indirect and induced workers residing within Galveston spent \$14.9 million on retail purchases, generating \$297,700 in retail sales tax revenues. Retail sales attributable to indirect and induced workers supported additional retail development within Galveston. In 2007, this retail space generated \$287,000 in local commercial property taxes.

In addition to retail sales tax, indirect and induced workers in Galveston's tourism industry also generate property taxes through the purchase of housing and the rental of multi-family units. In 2007, the dwellings of indirect and induced employment related to the local tourism industry generated \$2.3 million in local property tax revenues.

The beaches of Galveston are the city's premier attraction. According to visitor surveys, the vast majority of all tourists to Galveston visit local beaches. Though commonly perceived as the city's most compelling natural feature, existing beaches in Galveston are largely the result of significant funding and deliberate efforts by local, state, and national interests. Due to massive tidal forces, the beaches of Galveston typically lose several feet of visible sand each year; without human intervention, Galveston's most visited beaches would largely vanish within 20 years.

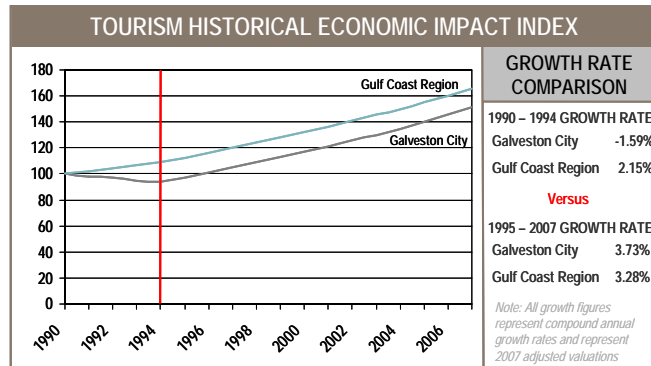
In 1995, the City of Galveston completed an ambitious restoration and renourishment project aimed at enlarging and stabilizing the portion of the beach extending from 10th Street to 61st Street. The cost of the entire project totaled approximately \$27.6 million (*in 2007 dollars*) and was primarily funded through bonds serviced by a .125% sales tax increase. In 2009, the City of Galveston will retire the bonds that initially funded the project; without a voter approved extension, the .125% sales tax dedicated towards beach renourishment will expire.

Still, evidence testifying to the benefits of the past beach restoration project is strong. Between 1990 and 1994, the economic impact of tourism in the City of Galveston contracted at an annual rate of -1.59%. Although this period was marked by a national recession, other tourist destinations within the state showed few signs of sluggishness. From 1990-1994, for example, the economic impact of tourism throughout the entire Gulf Coast region increased at an annual rate of 2.15%. In short, the faltering tourism industry in Galveston demonstrated the relative decline of the city's attractiveness to visitors; while tourists continued to travel, they increasingly explored alternatives to Galveston.

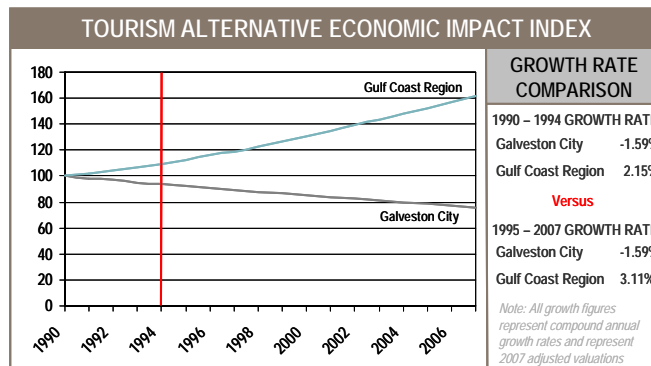
In 1995, however, economic activity related to Galveston's tourism industry enjoyed a sudden surge in fortunes. Galveston has sustained this remarkable increase for the past 13 years; since 1995, the economic impact of tourism in Galveston grew by an annual average of 3.73%. Importantly, the broader Gulf Coast region experienced no similar jump in growth, with the economic impact of tourism increasing slightly from 2.15% to 3.28%.

Closer examination reveals that a significant portion of the Gulf Coast region's increase in tourism-related economic activity above pre-1995 levels can be attributed to Galveston. If, after 1994, the economic impact of Galveston's tourism industry had continued to suffer the pre-renourishment growth rate, the economic impact of tourism throughout the Gulf Coast region would have fallen to just 3.11%. Under such a scenario, 20% of the observed increase in tourism-related economic activity in the Gulf Coast region above and beyond pre-1995 levels would be eliminated.

Ultimately, the weaknesses of Galveston's tourism industry between 1990 and 1994 proved unique and entirely localized. Similarly, the renaissance enjoyed by Galveston's tourism industry since 1995 is without parallel in the Gulf Coast region. As no other local attraction experienced such extensive changes between 1994 and 1995, Galveston's renourished beach provides the most compelling explanation for the change.



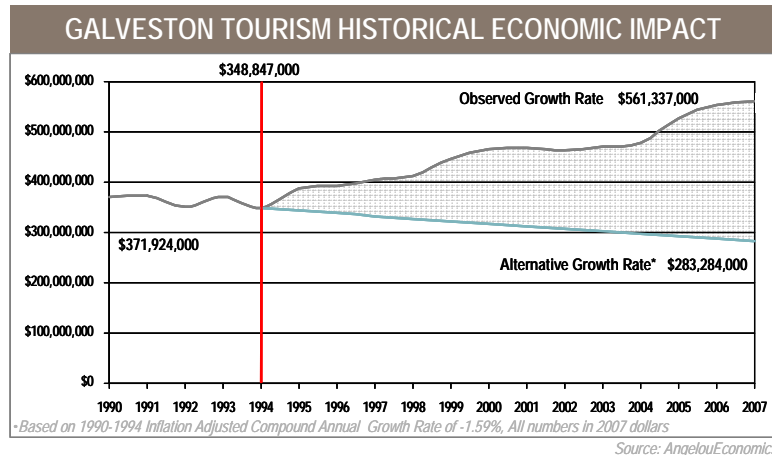
Source: AngelouEconomics



Source: AngelouEconomics

Since 1995, the economic impact of tourism in the City of Galveston has grown by an annual average rate of 3.11%. In 1994, the economic impact of tourism in Galveston was \$371.9 million (*in 2007 dollars*). By 2007, the economic impact of tourism in the City of Galveston totaled \$561.4 million.

As highlighted earlier, the growth rate of Galveston's tourism industry since the beach renourishment project stands in stark contrast to the growth rate observed during the years immediately preceding the beach renourishment project. Prior to 1995, Galveston's tourism industry suffered a negative growth rate; although the economic impact of tourism in Galveston experienced slight nominal increases during this period, these gains actually trailed inflation. If Galveston had continued to experience such a weak growth rate in the years after 1994, today the economic impact of the tourism industry would total just \$283.3 million, half its current level. Cumulatively, the difference between the observed growth rate of tourism's economic impact upon Galveston and the alternative growth rate based on pre-renourishment figures is staggering; *since 1995, increased levels of growth have represented an additional \$1.96 billion (in 2007 dollars) in tourism fueled economic activity in Galveston.*



While the increase in tourism-generated economic activity since 1994 can not be fully claimed by the beach restoration project, no other event or attraction can so readily account for the immediate gains enjoyed by Galveston beginning in 1995. As the primary differentiating factor among nearby tourism destinations, Galveston's beaches are the catalyst upon which additional local attractions rely. In this regard, the beaches of Galveston serve a role much like that of anchor tenants in regional malls; although a large department store may represent a fraction of a mall's total sales, these stores drive the vast majority of all shopper traffic upon which other retailers depend.

Similarly, Galveston's beaches drive the lion's share of leisure travel. Immediately after restoring the beach, Galveston began drawing more visitors to the area. Armed with a robust and growing tourist population, Galveston was able to support the expansion of existing facilities such as Moody Gardens and the development of new attractions such as the Schlitterbahn water park. New and improved facilities helped attract additional tourists, thereby continuing a virtuous cycle in which increased visitors to Galveston's beaches fueled more development of local tourism infrastructure, propelling further increases in the number of visitors. While not all increased tourism activity can be directly attributed to Galveston's beaches, the restoration and renourishment project has undoubtedly supported extensive growth. Still, the question likely facing Galveston's voters next fall persists: *Do the benefits of the restoration and renourishment project outweigh the costs?*

The costs of the 1994-1995 beach renourishment effort totaled \$27.6 million (*in 2007 dollars*). As stated earlier, the cumulative increase in tourism economy activity totals \$1.96 billion. This study assumes a constant proportion of economic activity to local tax revenues based on 2007 calculations. Under this scenario, cumulative tax revenues attributable to increased tourism since 1995 total \$120.6 million (*in 2007 dollars*). Thus, every \$1 of public funds dedicated towards beach restoration and renourishment in Galveston produces over \$4 in local tax revenues.

From a fiscal perspective, beach restoration and renourishment with Galveston is ultimately a revenue generating activity. Increased economic activity associated with the availability of beaches within Galveston produces substantial gains in overall tourism, benefiting companies, residents, and the city alike.

Dickens on the Strand (December)

For the past 34 years, the Galveston Historical Foundation has sponsored Dickens on The Strand, a festival dedicated to raising public awareness and support for Galveston's premier National Historic Landmark District. Set against the backdrop of Galveston's historic downtown, Dickens on The Strand features a colorful collection of bobbies, Beefeaters and the Queen recreating the Victorian London of Charles Dickens's lifetime. Dickens on The Strand is the single largest fundraising event for the Galveston Historical Foundation, thus helping the organization fulfill its mission to preserve, revitalize and celebrate the architectural, cultural, and maritime heritage of Galveston Island.

According to the Galveston Historical Foundation, Dickens on The Strand drew an estimated 30,000 visitors to downtown Galveston in 2007. Based on visitor surveys, approximately 85% of all attendees were from outside Galveston. Among non-local attendees to Dickens on The Strand, more than a third reported spending the night in a hotel or rental property. On average, Dickens on The Strand related expenditures by day visitors totaled approximately \$23 per person; among overnight visitors, the figure totaled \$70.

In 2007, direct spending by out of town visitors totaled \$862,000. The total economic impact of Dickens on The Strand on Galveston's economy in 2007 totaled \$1.2 million. The event also generated \$90,500 in local tax revenue for the City of Galveston.



DICKENS ON THE STRAND

COMPONENTS OF DICKENS ON THE STRAND ECONOMIC IMPACT

	DIRECT	INDIRECT & INDUCED	TOTAL
Total Spending	\$862,000	\$377,800	\$1,239,800
Full-time Equivalent Employment	18	3	21
Average Annual Wage	\$15,800	\$36,400	\$18,700
Local Tax Revenues	\$85,400	\$5,100	\$90,500
Retail Sales Revenue	\$7,700	\$600	\$8,300
Hotel Occupancy Revenue	\$28,300	\$0	\$28,300
Commercial Property Tax Revenues	\$49,400	\$4,500	\$53,900

Source: AngelouEconomics

Lone Star Rally (December)

First held in 2002, the Lone Star Rally has quickly grown to become one of the largest biker rallies in the country; according to the Rally's promoters, last year's festivities attracted over 450,000 motorcycle enthusiasts to Galveston. Today, no other single tourism event in Galveston rivals the Lone Star Rally in size.

In addition to biker promenades along the Strand and throughout the island, in 2007 the Lone Star Rally featured several stages of live concerts, charity casinos benefiting local organizations, and approximately 400 vendors representing the full spectrum of the biking industry.



LONE STAR RALLY

Last year, more than 450,000 individuals over four days visited Galveston during the Lone Star Rally. The economic impact of the rally exceeded \$31.1 million in 2007. Although this is significantly larger than all other tourism events within Galveston, proportionally the Lone Star Rally has the lowest economic impact per individual tourist of any event.

Ultimately, the sheer success of the Lone Star festival precludes a broader impact on Galveston. Simply put, Galveston cannot fully capture the spending of 450,000 visitors within a four day period. Limited availability of hotels during the rally, for example, prevents the vast majority of Lone Star Rally participants from spending the evening within the city (although this reality is partially offset by dramatically increased nightly rates sustained by the massive influx of visitors). Additionally, while the promoters of the Lone Star Rally have made efforts to include local merchants in the festivities, the majority of vendors associated with the event are not local enterprises.

Despite the widespread leakage of expenditures by tourists during the event, direct spending in Galveston by all Lone Star Rally visitors totaled an impressive \$23.5 million in 2007. This same year, tax revenues generated by spending attributable to attendees of the Lone Star Rally totaled \$430,300. Indirect and induced spending related to the Lone Star Rally reached \$7.6 million in 2007, generating an additional \$88,000 in tax revenue for the city.

COMPONENTS OF LONE STAR RALLY ECONOMIC IMPACT			
	DIRECT	INDIRECT & INDUCED	TOTAL
Total Spending	\$23,511,100	\$7,645,600	\$31,156,700
Full-time Equivalent Employment	450	65	515
Average Annual Wage	\$17,100	\$32,200	\$19,000
Local Tax Revenues	\$430,300	\$88,000	\$518,300
Retail Sales Revenue	\$204,100	\$5,600	\$209,700
Hotel Occupancy Revenue	\$80,900	\$0	\$80,900
Commercial Property Tax Revenues	\$145,300	\$82,400	\$227,700

Source: AngelouEconomics

Mardi Gras! Galveston (February or March)

Mardi Gras! Galveston remains one of the most celebrated tourism events in Galveston. Galveston's first recorded Mardi Gras celebration occurred in 1867. Brilliant and lavish carnivals became regular features of Galveston's Mardi Gras celebration for the next 75 years. During World War II, however, shortages of both men and materials resulted in a suspension of public Mardi Gras celebrations on the island. Public Mardi Gras festivities didn't return to Galveston until 1985. Since the revival of the festival 25 years ago, Mardi Gras! Galveston (as the event is now known) has grown dramatically and currently spans two weekends.

According to estimates performed by the event's organizers, more than 200,000 visitors participated in Mardi Gras! Galveston in 2007; the economic impact of the festivities exceeded \$22.1 million. Direct tourist

spending related to Mardi Gras! Galveston, totaled \$16.1 million. In 2007, tax revenues generated by spending attributable to attendees of Mardi Gras! Galveston totaled \$621,000. Indirect and induced



COMPONENTS OF MARDI GRAS! GALVESTON ECONOMIC IMPACT			
	DIRECT	INDIRECT & INDUCED	TOTAL
Total Spending	\$16,128,000	\$5,976,000	\$22,104,000
Full-time Equivalent Employment	299	51	350
Average Annual Wage	\$18,000	\$33,000	\$20,200
Local Tax Revenues	\$621,000	\$79,600	\$701,000
Retail Sales Revenue	\$190,800	\$8,800	\$199,600
Hotel Occupancy Revenue	\$189,000	\$0	\$189,000
Commercial Property Tax Revenues	\$241,200	\$70,800	\$312,000

Source: AngelouEconomics

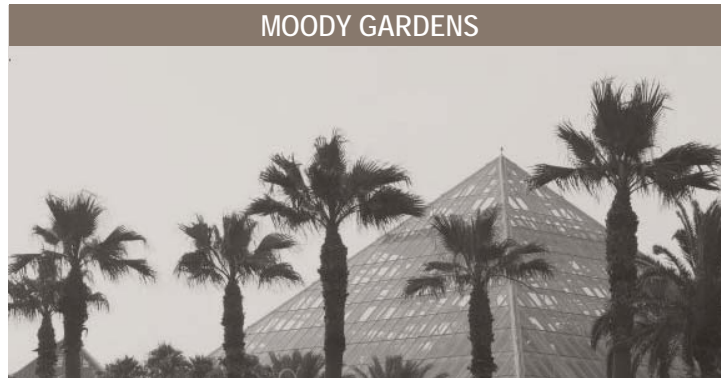
spending attributable to Mardi Gras! Galveston totaled \$6.0 million, producing \$33,000 in additional tax revenue.

Moody Gardens (Year Round)

In 2007, Moody Gardens welcomed more than 2 million visitors, a total that dwarfs attendance figures at any other paid tourist attraction in Galveston. Moody Gardens has sustained the interest of an overwhelming number of visitors to Galveston through its multitude of offerings: a 10-story Rainforest Pyramid, an Aquarium Pyramid, a Discovery Pyramid focused on science, an IMAX 3D Theater, a 4D Special FX Theater, Palm Beach, and events such as winter skating and the Festival of Lights.

In 2007, the total economic impact of Moody Gardens on the City of Galveston reached nearly \$100 million. Direct spending by visitors to Moody Gardens represented \$72.8 of this total. This figure includes food and retail sales, in addition to hotel expenditures for visitors staying overnight in Moody Gardens facilities.

Direct spending by visitors to Moody Gardens generated \$1.4 million in local tax revenues. Indirect and induced spending attributable to Moody Gardens totaled an additional \$23.4 million, producing \$310,000 in additional tax revenue for the City of Galveston.



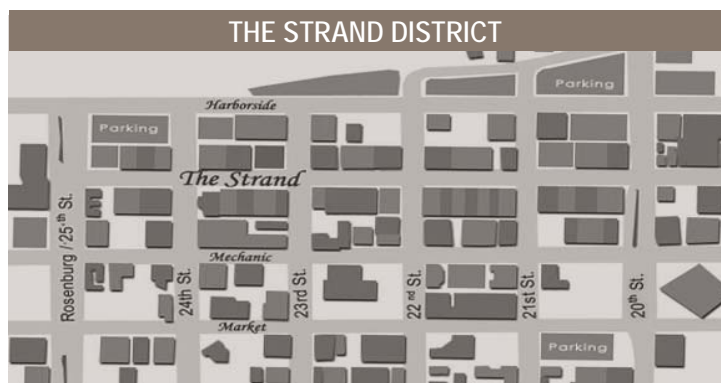
MOODY GARDENS			
COMPONENTS OF MOODY GARDENS IMPACT			
	DIRECT	INDIRECT & INDUCED	TOTAL
Total Spending	\$72,803,000	\$25,356,000	\$98,159,000
Full-time Equivalent Employment	1,454	223	1,677
Average Annual Wage	\$21,315	\$26,334	\$22,000
Local Tax Revenues	\$1,403,000	\$310,000	\$1,713,000
Retail Sales Revenue	\$942,000	\$31,000	\$973,000
Hotel Occupancy Revenue	\$461,000	\$0	\$461,000
Commercial Property Tax Revenues	\$0	\$279,000	\$279,000

Source: AngelouEconomics

The Strand District (Year Round)

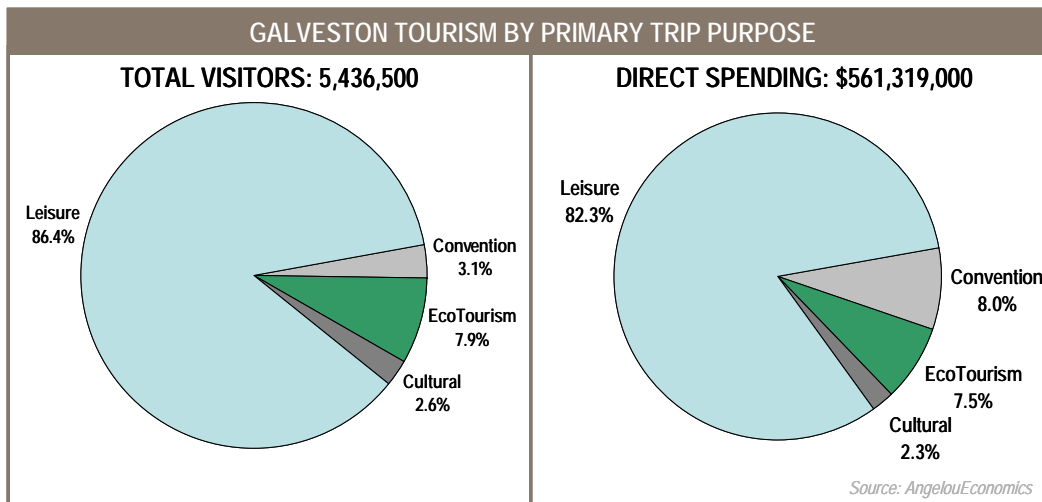
The Strand District represents the core of Galveston's National Historic Landmark District. Featuring a unique collection of 19th century commercial buildings in the city's downtown area, today The Strand is simultaneously a tourist destination, a place to do business, and residential urban neighborhood.

In 2007, nearly 775,000 tourists visited The Strand District. In addition to general leisure visitors, this total includes attendees of Dickens on The Strand, Mardi Gras! Galveston and the Lone Star Rally. In 2007, retail spending by The Strand visitors totaled nearly \$14.5 million, generating \$290,000 in local sales tax revenue for the City of Galveston.



Galveston Tourism by Primary Trip Purpose

Galveston's tourism industry is comprised of four primary sectors—leisure travel, conventions, ecotourism, and cultural tourism. While economic impacts have been broken down by sector, many visitors to Galveston participate in multiple of types of travel during a single trip. For example, a family may participate in ecotourism with a visit to Galveston Island State Park while also taking a cultural tour of the Strand. Still, approximate divisions among the four tourism sectors can be accomplished through an analysis of such information as visitor surveys and attendance data.



- Leisure Travel:** Buoyed by such attractions as Moody Gardens, Schlitterbahn, and Galveston's beaches, as well as events such as the Lone Star Rally and Mardi Gras! Galveston, leisure travel brings in the majority visitors to Galveston. In 2007, nearly 4.7 million leisure travelers visited Galveston.
- Ecotourism:** While Galveston's ecotourism centers around Galveston Island State Park, other important components of the travel sector include recreational sportfishing and bird watching. In 2007, more than 430,000 visitors to Galveston participated in some form of ecotourism.
- Conventions:** Galveston is home to two convention centers—one at Moody Gardens and another at The San Luis Resort. Together, these two facilities welcomed more than 170,000 visitors in 2007.
- Cultural Travel:** As one of the most historically important communities in Texas, Galveston is home to numerous cultural attractions such as The Grand Opera House and the 1892 Bishop's Palace. In 2007, approximately 140,000 travelers visited one or more of Galveston's historic assets.

In September, 2008 Hurricane Ike struck the Gulf Coast region of Texas. In a matter of hours, Ike inflicted approximately \$27 billion in damage, making it the third-most-destructive hurricane in U.S. history. No community suffered such extensive damage as did Galveston.

Ike's impact on Galveston's economy extended far beyond the weekend the hurricane swept ashore. Months later, the extensive physical

damage caused by Hurricane Ike is still evident; residents remain housed in temporary shelters and debris remains scattered throughout the island. Similarly, the economic damage produced by Hurricane Ike continues to this day; in November, the University of Texas Medical Branch at Galveston, which suffered more than \$700 million in damage, announced that the hospital would lay-off 3,000 workers—a quarter of its workforce.

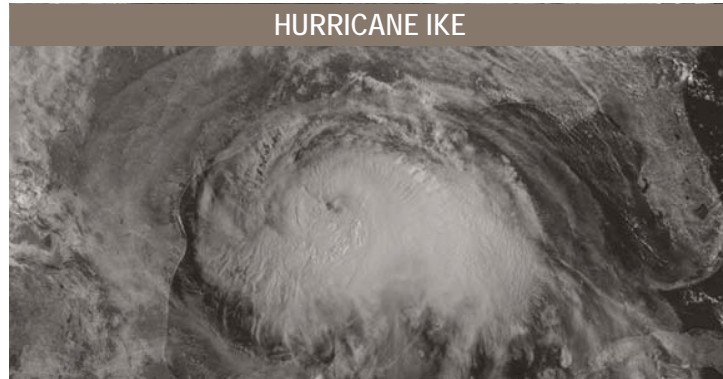
While all industries within Galveston have suffered in the wake of Hurricane Ike, tourism has experienced the most dramatic decline. In September alone, an estimated 500,000 fewer tourists visited Galveston than in the previous month. The sudden halt of tourism traffic to the island has resulted in millions of dollars of lost revenue among area hotels, restaurants, and other local attractions. Furthermore, with the tourism industry directly responsible for approximately 30% of all jobs within the city, many local workers have suffered significant losses of wages as a result of Hurricane Ike.

In addition to local business owners and employees, the tourism industry is a substantial source of wealth for the City of Galveston. Unsurprisingly, the collapse of Galveston's tourism industry has placed further strains on the city's budget. Approximately one-third of all sales tax revenue generated in Galveston can be attributed to visitors. Additionally, tourism spending via the local Hotel Occupancy Tax is a major source of revenue for the City of Galveston. Since Hurricane Ike, this important source of funding has declined by more than 50%, representing hundreds of thousands of dollars in lost revenue. All told, Galveston's general fund revenues are anticipated to fall 8.5% this year.

The projected budget shortfall is all the more burdensome given the City of Galveston's immediate infrastructure needs. Currently, City of Galveston officials estimate the repair costs will total about \$127.8 million. As a result, convincing visitors to return to Galveston and spend money is an economic necessity for the city in the months and years ahead.

Crucially, Galveston cannot rebuild alone. Both state and federal assistance is needed to return Galveston to its pre-Hurricane Ike condition. Given the interests currently competing for federal assistance in Washington D.C., however, Galveston may find a more sympathetic audience in Austin, Texas. Unlike the federal government, the State of Texas enjoys a budget surplus. Additionally, there are few communities more deserving of financial assistance in the state than Galveston. Finally, and perhaps most importantly, rebuilding Galveston serves the self-interest of the State of Texas.

While the preceding study has focused on tax revenues supported by tourists that accrue to the City of Galveston, nearly all of these taxes also benefit the state. In 2007, tourism in Galveston generated over \$32 million in state tax revenues. Two-fifths of Hotel Occupancy Tax revenue, for example, is dedicated to state uses. In 2007, the State of Texas received over \$7 million dollars in tax revenues from Galveston hotels. The State of Texas also retains the majority all sales tax revenue. In 2007, retail sales attributable to tourists in Galveston contributed nearly \$16 million to the state's coffers. Galveston's tourism industry provides additional revenues to the state through such taxes as those placed on gasoline and alcoholic beverages. Ultimately, state assistance in the rebuilding of Galveston will produce tax revenues that benefit not only the city, but all of Texas.



I. EXECUTIVE SUMMARY

All numbers concerning tourism-related employment, wages, expenditures, and tax revenues refer to statistics presented more fully in later portions of the document. All statistics concerning total local employment and/or population levels were obtained through Decision Data Resources.

II. DIRECT ECONOMIC IMPACT

Annual Galveston Visitors: *Secondary sources include Hotel Reports and Economic Impact Reports published by the Texas Office of the Governor Economic Development and Tourism, in addition to a 1997 economic impact analysis performed by Moran and Associates. Primary sources include both qualitative and quantitative information obtained through interviews with officials representing Moody Gardens, Dickens on the Strand, and Mardi Gras festivities in Galveston.*

Daily Expenditures by Tourists: *Secondary sources include Hotel Reports and Economic Impact Reports published by the Texas Office of the Governor Economic Development and Tourism, in addition to a 1997 economic impact analysis performed by Moran and Associates. Additional information was obtained from the Bureau of Labor Statistics and the U.S. Department of Energy. Primary sources include budgetary data provided by the Galveston Park Board of Trustees and the City of Galveston. Officials representing Moody Gardens, Dickens on the Strand, and Mardi Gras festivities in Galveston provided further information.*

Visitor Fiscal Implications: *Secondary sources include Hotel Reports and Economic Impact Reports published by the Texas Office of the Governor Economic Development and Tourism, in addition to an economic impact analysis performed by Moran and Associates in 1997. Additional data was obtained from the Galveston Park Board of Trustees, the City of Galveston, and the Galveston Central Appraisal District.*

Direct Tourism Employment & Wages: *Labor and wage calculations were produced using software created by the Minnesota IMPLAN Group.*

Tourism Employment Fiscal Implications: *Secondary information obtained from the U.S. Census Bureau, Bureau of Labor Statistics, The HdL Companies, Banks.com, Decision Data Resources, and CB Richard Ellis. Additional data was provided by The City of Galveston, the Texas Comptroller of Public Accounts, and the Galveston Central Appraisal District.*

III. INDIRECT ECONOMIC IMPACT

Indirect & Induced Employment & Wages: *Labor and wage calculations were produced using software created by the Minnesota IMPLAN Group.*

Indirect & Induced Employment Fiscal Implications: *Secondary information obtained from the U.S. Census Bureau, Bureau of Labor Statistics, The HdL Companies, Banks.com, Decision Data Resources, and CB Richard Ellis. Additional data was provided by The City of Galveston, the Texas Comptroller of Public Accounts, and the Galveston Central Appraisal District.*

IV. BEACH RENOURISHMENT

Secondary sources include the Bureau of Labor Statistics and Hotel Reports and Economic Impact Reports published by the Texas Office of the Governor Economic Development.

V. INDIVIDUAL IMPACTS

Primary sources include Moody Gardens, the Galveston Historical Foundation, and the Galveston Park Board of Trustees. Secondary sources the City of Galveston, the Galveston Central Appraisal District tax, the Texas Department of Transportation, a 2004 economic impact analysis of Mardi Gras performed by University of Houston professor Barton Smith, and a 2003 economic impact analysis of the Lone Star Rally performed by the Virtue Group, and Hotel Reports and Economic Impact Reports published by the Texas Office of the Governor Economic Development and Tourism.