



2026 Update: The Economic Benefits from Tourism Improvement Areas in Arizona

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ABSTRACT

This report, prepared by Rounds Consulting Group, Inc. (RCG), examines the potential economic impact of [HB 2950](#) (Note: this represents the bill number at the time of the drafting of this report). The bill is a proposal to establish Tourism Improvement Areas (TIAs) in Arizona.

The accompanying study examines the projected revenue generation, economic benefits, tax contributions, and job creation potential of newly established TIAs. Additionally, the report reviews governance structures, accountability measures, dissolution and renewal provisions, and policy implications.

Tourism is an important component of Arizona's economy, contributing significantly to state and local tax revenues, job creation, community development and resident quality of life. A key advantage of tourism is its ability to bring outside money into local communities, thus stimulating economic growth while reducing the tax burden on Arizona residents.

The TIA concept is an economic development tool that offers a sustainable funding solution to further enhance Arizona's economic competitiveness while producing a positive return-on-investment (ROI) for state taxpayers. The result is the advancement of both rural and urban economic development, small business support, new job creation, and the strengthening of the state's tax revenue base.

Partial use of this report without context may lead to misinterpretations. Thus, readers are encouraged to consider the entire document when forming conclusions regarding the reported content. While efforts were made to ensure accuracy within the impact calculations, changing economic conditions could influence the accuracy of these estimates over time.





TABLE OF CONTENTS

ABSTRACT	1
INTRODUCTION TO THE TIA CONCEPT	3
Overview of the Proposed TIA Legislation	3
EXECUTIVE SUMMARY – TIA ECONOMIC BENEFITS	5
Key Findings – TIA Implementation	5
Economic Impact Detail.....	8
Additional Business Development Considerations	10
Economic Impacts by Government Level	11
Impacts Across Multiple Industries	12
BACKGROUND - TOURISM ACTIVITY IN ARIZONA	14
THE TIA – AN OVERVIEW OF THE STRUCTURE	16
Economic Benefits of TIAs.....	16
Alternative Calculations – Verifying the Model	17
Example Case Studies.....	18
HB 2950 – ESTABLISHING TIAs IN ARIZONA	22
THE POTENTIAL FOR SIGNIFICANT ECONOMIC BENEFITS	23
Economic Impact Modeling	24
Projected Economic Impacts.....	25
Economic Impacts by Government Entity	27
ADDITIONAL TIA BENEFITS & OPPORTUNITIES	29
APPENDIX: METHODOLOGY AND ASSUMPTIONS	31
Economic Impact Model Methodology.....	31
Primary Assumptions – TIA Model Development	33



INTRODUCTION TO THE TIA CONCEPT

Tourism is a cornerstone of Arizona's economy, driving visitor spending, supporting jobs, and generating state and local tax revenues across both urban and rural communities. Sustaining and expanding this economic engine requires coordinated destination marketing, convention attraction, event promotion, and strategic investment in visitor access.

HB 2950 introduces a structured approach to addressing these challenges, by allowing local governments to establish TIAs. This report evaluates the expected economic impact of these TIAs, examining potential benefits while outlining key governance and financial mechanisms.

Overview of the Proposed TIA Legislation

HB 2950 establishes a framework for municipalities and counties in Arizona to create TIAs, if they so choose, as a locally driven mechanism to strengthen tourism investment and destination competitiveness. Tourism remains a major economic engine for the state—supporting jobs, small businesses, rural economies, and public revenues—and TIAs provide a structured approach for reinvesting in its continued growth.

Arizona's proposed model aligns with national best practices. At the present time, twenty-five (25) other states and 216 other jurisdictions have already implemented a TIA process. The bill enables lodging businesses within a designated TIA to fund tourism promotion and economic development activities. This is done through a fee assessment per occupied room per night.

The key provisions of the bill allow for flexibility in setting the TIA terms, thus also allowing for the TIAs to be designed according to the economic characteristics and needs of each economic region.



Each TIA has a maximum initial term of 10 years, with the possibility of renewal for additional 10-year terms based on stakeholder approval and compliance with the governing regulations. The funds will be used to enhance tourism-related marketing, meeting and convention sales, commercial air service development, and the promotion of events.

TIA's will be governed by an Owners' Board, composed of a majority of the lodging business owners located within the TIA or their authorized representatives and a municipal representative, ensuring accountability and effective fund utilization. Additional considerations must also be addressed, including:

- **Requirements for Establishing a TIA:** A TIA can only be formed if a petition is signed by lodging business owners, representing 67% of total available rooms within the proposed area. Once a valid petition is submitted to the local municipality or county, a public hearing is required. The petition must outline:
 - The geographic boundary of the TIA.
 - The types or classes of lodging businesses subject to the assessment.
 - The proposed lodging business assessment rate.
 - Information specifying where the complete tourism improvement plan may be obtained.
- **Dissolution of a TIA:** Lodging business owners have a 60-day window each year to petition for dissolution. If 51% or more of assessed rooms of businesses sign the petition, the local government must hold a public hearing and vote on whether to dissolve the TIA.

Under the legislation, the governing municipality is not required to hold a hearing on a TIA proposal and may also dissolve a TIA at any time, including if there is evidence of mismanagement, misappropriation of funds, not fulfilling financial obligations, or if there is evidence of legal violations.

- **Frequent Asked Questions:** For more details, please refer to the bill's [FAQ](#).





EXECUTIVE SUMMARY – TIA ECONOMIC BENEFITS

This report provides an economic impact analysis of HB 2950, a legislative proposal to establish TIAs in Arizona. The study examines the projected revenue generation, economic benefits, tax contributions, and job creation potential of TIAs.

To assess the varying impacts, several scenarios were analyzed with different levels of TIA adoption across Arizona, adjusting both the percentage of total hotel rooms included and the assessment rates applied per occupied room per night. This approach allows for a comprehensive evaluation of potential outcomes under different implementation strategies.

The findings indicate that HB 2950 can generate significant net-new economic growth, enhance local tourism competitiveness, and create thousands of jobs while ensuring sustainable funding for tourism promotion.

Key Findings – TIA Implementation

Several provisions of the TIA proposal will allow for the generation of net-new tax revenues, or those tax revenues that would otherwise not have been collected. The economic benefits will be based on key program provisions, including:

- **Increased Overall Tourism Funding:** TIAs provide a dedicated revenue source for marketing, convention sales, event promotions, and airlift support without relying on new taxpayer dollars. Establishing TIAs in Arizona could raise an additional \$20.6M to \$110.4M in tourism promotion funds.
- **Increase in Competitive Advantage:** TIAs enhance a region's ability to attract conventions, sporting events, large-scale leisure travel events and activities, and



new business locations and expansions. This leads to additional tax revenues being generated for the state General Fund, which can be used on tax cuts, enhanced quality of services, or a combination of the two options.

- **Increased Visitor Spending:** Expanded tourism marketing, sales, and promotional initiatives are projected to generate between \$600 million and \$3.3 billion in incremental visitor spending statewide. This spending would flow directly into Arizona's hospitality sector—including hotels, restaurants, attractions, and transportation providers—while also producing significant indirect impacts for retail, entertainment, and service-based businesses. The resulting economic activity would support job creation, increase business revenues, and generate additional state and local tax collections. Importantly, these impacts would extend beyond major metropolitan areas, benefiting small and locally owned businesses in rural and gateway communities that rely heavily on visitor activity.
- **Additional Spending Benefits:** The incremental growth in visitor expenditures and subsequent tax receipts ultimately leads to greater consumer demand for more products and services within Arizona communities. More product and service variety enhances the quality of life of Arizona residents who will go on to enjoy these products 365 days per year, while a visitor may only enjoy them for a few days at a time.

Utilizing the most conservative modeling inputs, the additional TIA expenditures translate into a state and local tax revenue ROI of nearly 7:1.

- **ROI Calculation Inputs:** The reason the estimated economic and fiscal impact ranges are relatively large is because: 1) the most conservative scenario assumes a small nightly fee equal to \$2/night and only approximately 1/3rd of hotel rooms participating in the TIA, and 2) the optimistic scenario utilizes a fee equivalent of \$5/night and a 75% participation rate. *The actual numbers will likely fall somewhere in the middle of the noted values.*
- **A Conservative Assessment:** The ROI value of just the state's portion of the calculation included in this review is 2.5:1. Published industry reports identify ROI values of between 15:1 and 30:1. Therefore, the ROI calculations used in this analysis are between 6X and 12X more conservative than the industry standards.



- **Job Creation:** The additional visitor spending induced by TIAs could create between 10,700 and 57,300 new FTE jobs throughout Arizona across various industries, including: general retail, hospitality, entertainment, food service, grocery stores, transportation, utilities, agriculture, real estate, construction, financial services and other supporting sectors.
- **Economic Growth:** Enhanced tourism activity throughout the state could generate between \$1.2B and \$6.3B in economic output.
- **Tax Revenue Generation:** TIAs could generate an additional \$142.5M to \$763.5M in state and local tax revenues, supporting local public safety, education, transportation, and other essential services for Arizonans – effectively reducing the taxpayer burden for residents due to additional visitor tax receipts.

Actual tax revenue collections for the state and local government entities will most likely equal between \$300M and \$500M per year at full implementation.

- **Enhanced Economic Development:** Tourism activity is directly tied to opportunities to recruit businesses to the state. If the enhanced economic development opportunities were included in the aforementioned economic and tax revenue impacts, the values could increase by as much as 10% above the noted figures.
- **Fiscal Responsibility:** TIAs are self-funding mechanisms, ensuring that revenues are reinvested into tourism promotion and local economic improvements. By leveraging imported tourism dollars, this sustainable model reduces reliance on government general funds, effectively lowering the tax burden on Arizona residents while enhancing community amenities and fiscal stability.
- **Proven Economic Impacts:** Multiple examples exist related to the benefits of TIAs. A 2021 study by Tourism Economics analyzed 29 U.S. cities with TIAs and compared them to 71 cities without TIAs.

The study found that TIAs increased overall hotel room demand by 2.1% on average, boosted hotel room revenue by 4.5%, demanded 150,000 additional room nights, and collected \$51.0M in hotel revenue annually per destination.



- **Expanded Cross-Border Tourism & Rural Business Growth:** Coordinated tourism promotion initiatives with partners in Sonora, Mexico, combined with targeted outreach in key international visitor markets such as Canada, Europe, and Taiwan, can strengthen Arizona's international visitation and diversify demand. Collaborative programs, including food and beverage events and cross-promotional campaigns, can increase travel to rural destinations, expand small business revenue opportunities, support related trade activity, and generate incremental state and local tax revenues.

Economic Impact Detail

This analysis evaluates the economic impact of HB 2950 by modeling different levels of TIA adoption in Arizona and at different fee values. The three scenarios – “conservative”, “baseline”, and “optimistic” – vary in the percentage of hotel rooms participating and the nightly assessment.

The analysis accounts for elasticity effects, recognizing potential changes in demand due to higher lodging prices, but concluding that increased tourism promotion will yield a net positive effect. The economic model measures direct, indirect, and induced impacts on jobs, wages, economic output, and tax revenues.

Overall, implementing TIAs can drive significant economic growth, enhance tourism competitiveness, and provide sustainable funding for the industry. The following summarizes the key impacts of each example's scenario.

Conservative Scenario (35% adoption and an assessment rate equivalent to \$2 per room per night):

- Raises \$20.6M in TIA funding.
- Produces \$618.1M in new visitor spending.
- 10,682 FTE jobs are created across Arizona.
- \$418.8M in labor income is created.
- \$1.2B in economic output is generated.
- \$142.5M in state and local tax revenue is generated.

For perspective, a 35% adoption rate would equal approximately the same number of hotel rooms as the rooms within the Cities of Phoenix and Tucson alone, and raise the average daily rate from \$158.87 to \$160.87.



Baseline Scenario (55% adoption and an assessment rate equivalent to \$3.50 per room per night):

- Raises \$56.7M in TIA funding.
- Produces \$1.7B in new visitor spending.
- 29,402 FTE jobs are created across Arizona.
- \$1.2B in labor income is created.
- \$3.2B in economic output is generated.
- \$391.9M in state and local tax revenue is generated.

For further perspective, a 55% adoption rate would equal approximately the same number of hotel rooms as the rooms within the Phoenix metro area alone, and raise the average daily rate from \$158.87 to \$162.37.

Optimistic Scenario (75% adoption and a maximum assessment rate equivalent to \$5.00 per room per night):

- Raises \$110.4M in TIA funding.
- Produces \$3.3B in new visitor spending.
- 57,276 FTE jobs are created across Arizona.
- \$2.2B in labor income is created.
- \$6.3B in economic output is generated.
- \$763.5M in state and local tax revenue is generated.

Again, for perspective, a 75% adoption rate would equal approximately the same number of hotel rooms as the rooms within the Phoenix and Tucson metro areas alone, and raise the average daily rate from \$158.87 to \$163.87.



Figure 1 - TIA Implementation - Potential Economic and Fiscal Impacts

	Conservative	Baseline	Optimistic
TIA Funding	\$20,604,800	\$56,663,200	\$110,382,900
New Visitor Spending	\$618,144,100	\$1,699,896,300	\$3,311,486,400
Jobs	10,692	29,402	57,276
Labor Income	\$418,788,400	\$1,151,668,100	\$2,243,509,400
Economic Output	\$1,179,588,100	\$3,243,867,200	\$6,319,221,900
Tax Revenues	\$142,516,900	\$391,915,700	\$763,478,800
State Taxes	\$48,037,900	\$132,097,200	\$257,332,300
County Taxes	\$19,785,400	\$54,410,600	\$105,998,000
City Taxes	\$74,693,600	\$205,407,900	\$400,148,500

Source: Rounds Consulting Group, Inc.

Additional Business Development Considerations

The economic impact figures displayed in the previous sections can be considered conservative due to the fact that the economic benefits related to tourism activities and business recruitment were separately analyzed and are displayed for additional consideration only.

For example, the tourism industry as a whole is comprised of many different types of visitors. From individuals and families taking vacations, visitors participating in a youth/amateur sports event, to business employees attending conferences, to executives visiting the region as part of their research and find a new home for their upcoming relocation or expansion.

If the additional tourism funding results in enhanced opportunities for the economic development community, within the state, to have access to additional business executives that are looking to expand or relocate their operations, then additional economic benefits related to the TIA proposal can be considered.

As noted, it is estimated that the figures displayed related to total TIA economic and fiscal impacts could be understated by as much as 10%. **This would add another \$30.0M to \$50.0M in state and local tax collections each year.**



Economic Impacts by Government Level

The totals for state and local tax revenue collections under the TIA bill are also separated by size of government entity, including city level, county level, and state level impacts.

Under the baseline scenario the cities receive the largest dollar value in terms of fiscal impact each year, equal to \$205M.

This additional city revenue would create a dedicated funding source to advance tourism promotion, destination marketing, and visitor attraction initiatives, while supporting broader economic development and community investment priorities.

County level taxes are expected to exceed \$50M in net new revenue each year under the baseline scenario, while the state is expected to receive more than \$130M in net-new tax revenue each year.

Note: these statistics are based on the baseline scenario. If the optimistic scenario is realized the additional tax revenues for each of the listed government entities would more than double.

What is not often considered is the fact that visitors also shop at malls, grocery and convenience stores; create demand for food products that increase agriculture revenues; and also pay taxes on things like gasoline, which then pays for our roads.



Impacts Across Multiple Industries

The majority of the analysis related to the tourism industry focus heavily on just the economic impacts within the tourism industry itself. However, the tourism industry is tied to many industries across the state that many people do not always consider.

For example, visitors from out of state traveling to Arizona are well known to take advantage of the state's high-quality cuisine, world class spas and golf courses, and cultural attractions like museums and arts centers, while also generating indirect economic activity that supports hotels, entertainment venues, and attractions, as well as the utilities, financial and business services, and real estate sectors that these visitor-serving industries rely upon.

Other spending resulting in tax collections also pays for our police and fire departments, our schools and jails, and just about every other expenditure category at the state and local level of government.

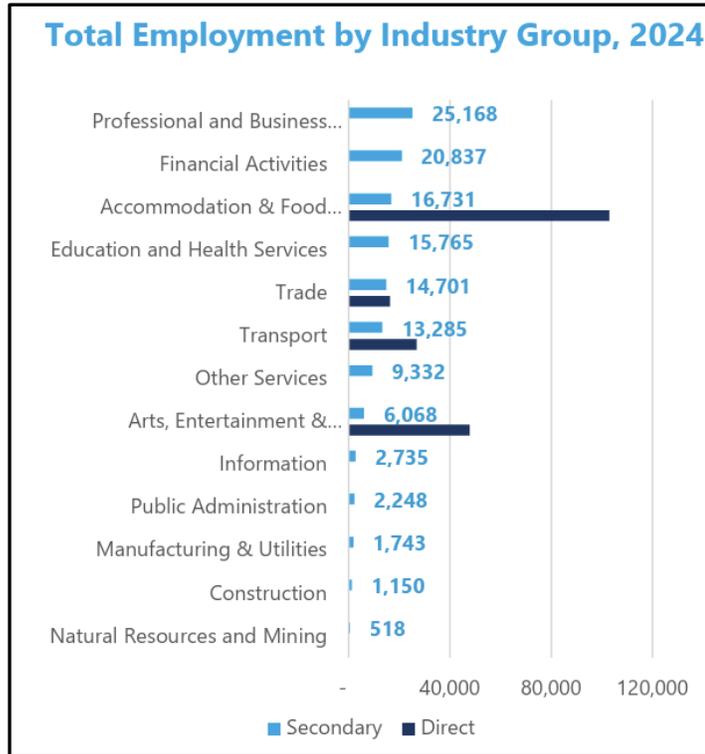


Research conducted by DRA identifies that the state's tourism industry has additional impacts on everything from farming to professional business services, to financial



activities, and even to some limited manufacturing and construction. The DRA “multiplier” impact data is displayed in Figure 2.

Figure 2: Tourism Multiplier Effects – Source DRA Arizona Direct & Secondary Employment





BACKGROUND - TOURISM ACTIVITY IN ARIZONA

Arizona's diverse and unique attractions, rich history, and year-round appeal make it a premier destination for visitors seeking outdoor adventure, cultural exploration, relaxation, and urban experiences. In 2023, Arizona welcomed 45.2 million overnight visitors.¹

Collectively, these visitors spent \$29.3B across Arizona. This supported local hotels, restaurants, transportation services, retail shops, entertainment and recreation businesses, and various other service-related industries.²

Tourism supports a substantial portion of Arizona's workforce. In 2023, tourism-related activity supported approximately 187,000 jobs with \$8.5B in earned wages and income.³

Additionally, tourism-generated revenues significantly contribute to state and local government budgets.

In 2023, visitor activity generated a total of \$2.4B in state and local tax revenues.⁴

The state collected an estimated \$1.3B while local governments collected \$1.1B in sales, income, property, and other tax revenues in 2023 from tourism activity.⁵



¹ Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.

² Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.

³ Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.

⁴ Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.

⁵ Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.



These tax revenues translate into an annual savings of \$889 per Arizona household, as visitor spending offsets the need for higher resident taxation. ⁶ With its thriving tourism industry, Arizona continues to attract millions of visitors annually, reinforcing its position as a key economic driver for the state and local communities.

Establishing a TIA mechanism presents an opportunity to further expand the state's economic base and lower the tax burden on Arizona residents.



⁶ Arizona Office of Tourism (2024). <https://tourism.az.gov/visitation-profiles/>.



THE TIA – AN OVERVIEW OF THE STRUCTURE

A TIA is a designated zone within a municipality or county where tourism-related businesses contribute assessments to fund tourism destination development and promotional activities. These assessments, typically imposed on transient lodging businesses, are used exclusively for marketing, event promotion, and convention sales aimed at attracting visitors and boosting the local economy.

TIAs provide a reliable, dedicated revenue stream that supports major events and tourism-related initiatives. This self-sustaining model ensures that businesses benefiting from increased tourism contribute directly to its promotion and success.

The efforts funded through TIAs attract more visitors and increase spending, boosting tourism activity, which in turn supports all local businesses. This creates a ripple effect, enhancing overall economic development, job creation, and state and local tax revenues.

By expanding tourism, TIAs not only benefit lodging businesses but also stimulate growth across retail, dining, entertainment, and service sectors, reinforcing long-term economic sustainability.

Economic Benefits of TIAs

Increased tourism funding provides a dedicated revenue stream for marketing, events, and convention sales without relying on taxpayer dollars. Not only does this reduce the financial burden of residents, but it also strengthens a destination's competitiveness in the tourism market.

Note: The estimated benefits are based on currently utilized tourism promotion strategies in the state. The additional money would allow for enhanced innovation in how the tourism entities promote the state for example more modern techniques can be relied upon such as dedicated bloggers and influencers promoting special activities within the state, implementing the latest AI technologies and platforms to reach wider audiences, targeted travel agent marketing, and OTA co-operative campaigns.

As more TIA entities become approved, there will also be more opportunities for large scale strategic marketing partnership efforts to promote state activities. Thus, the additional funding will allow for some movement towards new and innovative



marketing techniques that produce higher ratios of return on investment than have been previously realized.

Several useful findings were addressed in a comprehensive study completed by Tourism Economics in partnership with Civitas and STR in 2021.⁷ This study analyzed 100 U.S. cities, including 29 U.S. cities that utilized TIAs and compared tourism data to 71 U.S. cities without TIAs to examine if cities that implemented a TIA had a competitive advantage over non-TIA cities.

Over a three-year period, Tourism Economics found that utilizing a TIA funding mechanism produced an average 2.1% increase in hotel room demand and an average 4.5% increase in hotel room revenue. This translated to an increase of 150,000 room nights and \$51M in hotel revenue for the average destination.

The study also provided specific examples of TIA successes across the country. For example, the Denver Tourism Improvement District (DTID), managed by Visit Denver, was created in 2016. It was created with the intent to generate revenue to increase tourism and overnight visitation. In 2019, the DTID funded Visit Denver's \$36M budget. Efforts by Visit Denver generated \$73M in local tax revenues, double its investment.

Tourism Economics also estimated the effect on a TIA destination if a TIA was not in place. When analyzing Portland, Oregon, the study found that the city would suffer from a hotel room demand reduction of 4.5% and a \$32M loss in hotel revenue per year.

Alternative Calculations – Verifying the Model

Additional calculations on the potential impact of TIA's in Arizona were completed as a check against the approach that is documented in this report.

The previously documented economic and fiscal impacts are based on a top-down approach that converts broad-based tourism marketing investment and tourist spending into job creation and tax revenue statistics. It was also used to generate the state level ROI value of approximately 2.5:1.

These values were compared against previous research completed by this report's authors related to the extent that additional spending by the state on tourism marketing would generate a net benefit to the state General Fund.

This previous research, which was based on a review of several dozen tourism related reports, identified that the likely range for state-only level ROI values is between 2:1 and 3:1.

⁷ Tourism Economics, Civitas, and STR (2021). *The Economic Case for Tourism Improvement Districts*. https://s3.amazonaws.com/tourism-economics/craft/Tourism-Economics_TheEconomicCaseforTIDs.pdf

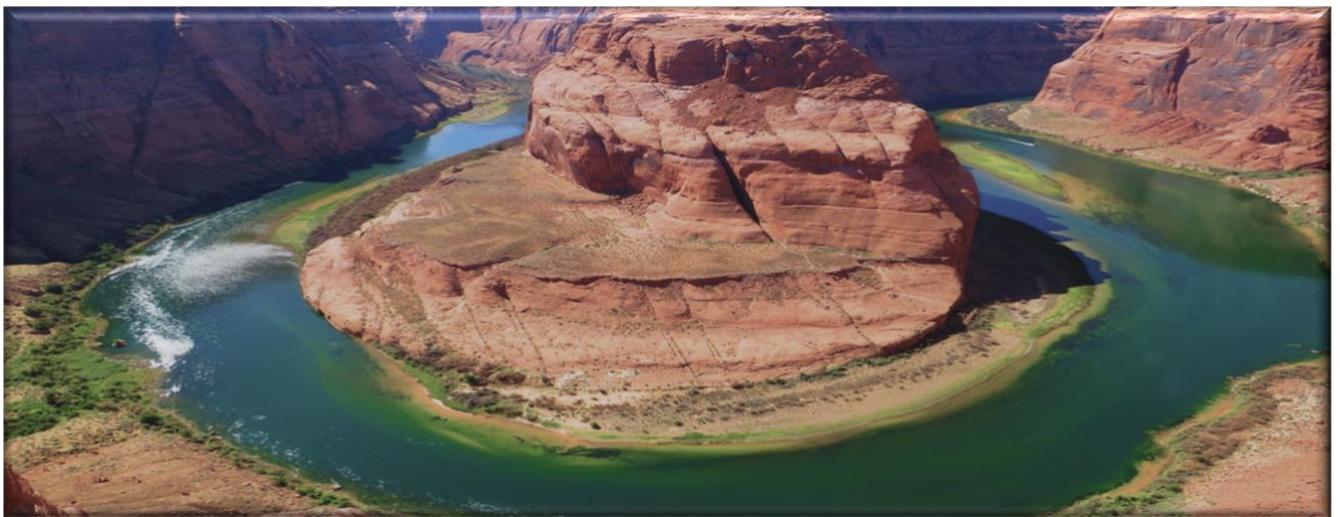


As a reminder, the completely different approach that was used to calculate the economic and fiscal impacts in the current report produced an ROI value for the state of approximately 2.5:1. Therefore, whether using a top-down approach or a bottom-up approach to tourism marketing analysis, the economic benefits to the state remain consistent.

By increasing available resources for strategic marketing, convention sales activity, and event hosting, TIAs help attract more visitors, thereby boosting both the local economy and the destination's appeal.

TIAs also have a material impact on the hotel room revenue generation capabilities of a city. Therefore, TIAs should be regarded as valuable economic development tools, as well as a means to increase tourism.

TIAs have proven effective in a variety of U.S. cities by pooling resources from local businesses to fund targeted tourism sales and marketing projects. These areas enable cities to focus on specific tourism goals, such as enhancing visitor experiences or attracting new markets, while ensuring that the costs are shared equitably.



Example Case Studies

Philadelphia Tourism Improvement Area (PHIL) - Philadelphia is a vibrant city rich in history, culture, and arts and is known as the birthplace of American independence. In addition to its famous historical landmarks and museums, Philadelphia also offers visitors a plentiful array of modern amenities such as inviting shopping districts and diverse restaurants.



During the years leading up to 2017, however, the City began experiencing reductions in public and private sector promotion funding, while also experiencing more expensive and competitive convention and event activity.

These factors led Philadelphia to pass the Philadelphia Hospitality Investment Levy (PHiL) which created the Philadelphia Tourism Improvement District in 2017.⁸ The PHiL consisted of a 0.75% assessment fee applied to the gross hotel room rental revenues within a specified area and applied to all hotels in the area with 50 or more rooms for rent, on a nightly basis. The goal of PHiL was to attract more overnight visitors through enabling additional events and conventions.

According to Visit Philadelphia and the Philadelphia Convention and Visitors Bureau, nearly 25.8M people visited the Philadelphia area in 2023.⁹ Visitors spend an estimated \$4.4B, supporting 77,200 jobs and generating \$6.6B in economic activity and \$387M in tax revenues.

San Antonio Tourism Improvement Area (SATPID) - In collaboration with Visit San Antonio and the San Antonio Hotel and Lodging Association (SAHLA), the San Antonio Tourism Promotion Improvement District (SATPID) was established in 2019.

The district imposes a 1.25% assessment on gross room night sales at participating lodging properties with 100 or more rooms, creating a dedicated funding source for tourism promotion and marketing.

An analysis by Tourism Economics found that within its first year of operation, the SATPID generated 190,000 room nights from definite and tentative group bookings. ¹⁰ The study further revealed a return of \$15.70 in room revenue for every \$1.00 invested in the district's initiatives.

Additionally, mobile device location data analysis demonstrated that every \$1.00 spent on advertising led to \$50 in visitor spending, highlighting the district's substantial economic impact on San Antonio's tourism industry.

⁸ Philadelphia Hospitality Investment Levy. <https://philinvestmentlevy.org/#:~:text=Remit%20%26%20Pay%20Online-Overview,to%20the%20City%20of%20Philadelphia>.

⁹ Visit Philadelphia and the Philadelphia Convention and Visitors Bureau (2024). Tourism Industry Outlook. [https://www.visitphilly.com/media-center/press-releases/visit-philadelphia-and-the-philadelphia-convention-and-visitors-bureau-provide-2024-tourism-industry-outlook/#:~:text=Angela%20Val%2C%20president%20and%20CEO,2022%20\(+1%25%20vs%202019\)](https://www.visitphilly.com/media-center/press-releases/visit-philadelphia-and-the-philadelphia-convention-and-visitors-bureau-provide-2024-tourism-industry-outlook/#:~:text=Angela%20Val%2C%20president%20and%20CEO,2022%20(+1%25%20vs%202019)).

¹⁰ Tourism Economics, Civitas, and STR (2021). *The Economic Case for Tourism Improvement Districts*. https://s3.amazonaws.com/tourism-economics/craft/Tourism-Economics_TheEconomicCaseforTIDs.pdf



San Luis Obispo Tourism Improvement Area (SLOTBID) - In 2008, Visit San Luis Obispo established the San Luis Obispo Tourism Business Improvement District (SLOTBID) to create a dedicated funding stream for tourism promotion.

Unlike many traditional Tourism Improvement Districts (TIDs), the SLOTBID assesses all lodging properties within the city, including hotels, motels, bed and breakfasts, hostels, inns, and owner-occupied homestays.

What sets SLOTBID apart is its diverse range of funded initiatives. In addition to sales and marketing programs, the district supports unique efforts such as airlift development, ensuring improved accessibility for visitors.

A 2018 study by Tourism Economics demonstrated the significant economic impact of SLOTBID, showing that every \$1.00 invested resulted in \$44.40 in visitor spending, ultimately contributing to \$40.5M in total visitor expenditures for the year.¹¹

¹¹ Tourism Economics, Civitas, and STR (2021). *The Economic Case for Tourism Improvement Districts*. https://s3.amazonaws.com/tourism-economics/craft/Tourism-Economics_TheEconomicCaseforTIDs.pdf





HB 2950 – ESTABLISHING TIAs IN ARIZONA

HB 2950 provides a structured framework for municipalities and counties in Arizona to establish TIAs, allowing lodging businesses to fund tourism promotion and economic development through self-imposed assessments. The bill requires that at least 67% of total available rooms within a proposed TIA be represented in a petition before local governments vote to approve the district.

Once formed, the TIA generates revenue through a fixed per-room fee of up to \$5 or 5% per occupied room per night, ensuring a sustainable funding stream dedicated to enhancing the local tourism industry.



To manage the TIAs' operations, an Owners' Board is established, composed primarily of lodging business owners and local government representative. This Board oversees fund allocations, submits annual financial reports, and ensures compliance with the bill's



guidelines. The Board is also responsible for engaging in strategic planning to maximize the TIAs' effectiveness in attracting visitors and enhancing local economic activity.

The bill provides flexibility for each TIA to establish its own assessment structure. While all lodging businesses may participate regardless of size, assessment levels can be tailored based on factors such as hotel size, classification, and pricing models, allowing contributions to be aligned with business scale, market positioning and needs of the community.

HB 2950 also establishes clear provisions for dissolution and renewal. Lodging business owners have an annual 60-day window in which they may petition to dissolve the TIA if 51% or more of total rooms within the district support the action.

Additionally, local governments retain the authority to dissolve a TIA if there is evidence of mismanagement, misappropriation of funds, or legal violations. If a TIA is dissolved, any remaining funds must either be redirected to tourism-related activities or refunded to contributing businesses based on their prior contributions.

TIAs under this bill are initially established for a maximum term of 10 years, with the option of renewal for additional 10-year terms. Renewed TIAs may introduce modifications to their assessment structures and scope of activities to better align with evolving economic and tourism trends.

By enabling municipalities and counties to create self-sustaining tourism funding mechanisms, HB 2950 seeks to strengthen Arizona's competitive position as a premier travel destination. This would ensure long-term growth in visitor spending, job creation, and economic development across the state.

THE POTENTIAL FOR SIGNIFICANT ECONOMIC BENEFITS

To assess the varying potential impacts, several scenarios were analyzed with different levels of TIA adoption across Arizona, adjusting both the percentage of total hotel rooms included and the assessment rates applied per occupied room per night.

This approach allows for a comprehensive evaluation of potential outcomes under different implementation strategies. The findings indicate that HB 2950 can generate significant economic growth, enhance local tourism competitiveness, and create thousands of jobs while ensuring sustainable funding for tourism promotion.

Three scenarios were examined - a conservative, baseline, and optimistic case:



- **The conservative scenario** represents the lower bound, assuming limited TIA adoption (35% adoption) and a low assessment rate (\$2 per room per night or equivalent).
- **The baseline scenario** represents a moderate adoption level (55% adoption) and assessment structure (\$3.50 per room per night or equivalent).
- **The optimistic scenario** assumes wider adoption (75% adoption) and the maximum assessment rate of \$5 per room per night or equivalent.

Additionally, the analysis incorporates an elasticity component, recognizing that higher lodging prices could negatively impact demand if set too high. However, the increased promotional efforts funded through the TIAs will have a compounding effect, which is expected to outweigh any potential declines in demand up to the fee cap, resulting in a net positive effect on the local tourism economy.

Economic Impact Modeling

The economic impact model used in this analysis estimates the direct, indirect, and induced effects of the TIA-generated revenues on Arizona's economy. The model accounts for increased visitor spending, job creation, and tax revenue generation by incorporating industry-standard multipliers and historical tourism data.

The model also factors in potential substitution effects and price elasticity of demand, ensuring a realistic assessment of net tourism growth. Impacts are estimated in terms of jobs, labor income, economic output, and tax revenues.

Jobs refers to the annual full-time equivalent (FTE) employment impact. Labor income is the combined wages and income earned by employees. Economic output estimates the total value of goods and services produced in an economy similar to how GDP (gross domestic product) is calculated.

Tax revenues include the state and local government taxes levied on income, consumer spending, commercial and residential property, vehicle use and licenses, and other taxable activity. The economic impacts can be categorized into direct, indirect, and induced effects.

Direct impacts occur as tourism-related business, such as hotels and restaurants, experience increased revenue and hire more employees. Indirect impacts result from suppliers and vendors who provide goods and services to these businesses, further stimulating economic activity.



Induced impacts arise when employees in both direct and indirectly affected sectors spend their wages locally, supporting additional businesses and services. A more detailed description of the methodology and assumptions used in this analysis can be found in the Appendix.



Projected Economic Impacts

The analysis evaluates the potential economic impact of HB 2950, modeling different levels of TIA adoption across Arizona. The study applies three adoption scenarios – conservative (35%), baseline (55%), and optimistic (75%) – to the entire state since it is difficult to determine the exact percentage of hotels that would opt in. This approach provides a reasonable range and perspective on the potential outcomes.

The analysis relies on Arizona's statewide hotel inventory, regional and city-level data, and industry benchmarks, including:



- **Total Statewide Hotel Inventory: 122,412 hotel rooms across Arizona.**
- **Statewide Occupancy Rate: 65.7%**
- **Average Daily Rate (ADR): \$156.17 statewide, with variations by region.**
- **Total Annual Hotel Revenues: \$4.7B statewide.**

Source: Costar, 2024 data.

Using these figures, the economic model estimates the potential revenues from TIA assessments, taking into account variations in hotel room supply, occupancy rates, and ADR across different markets in Arizona. Three statewide adoption scenarios were modeled.

Using conservative assumptions (35% adoption and a \$2.00 nightly room fee), TIAs could generate:

- **\$20.6M in TIA funding.**
- **\$618.1M in new visitor spending.**
- **10,682 jobs across Arizona.**
- **\$418.8M in labor income.**
- **\$1.2B in economic output.**
- **\$142.5M in state and local tax revenues.**

Using moderate assumptions (55% adoption and a \$3.50 nightly room fee) in the baseline scenario, TIAs could generate:

- **\$56.7M in TIA funding.**
- **\$1.7B in new visitor spending.**
- **29,402 jobs across Arizona.**
- **\$1.2B in labor income.**
- **\$3.2B in economic output.**



- **\$391.9M in state and local tax revenues.**

Using optimistic assumptions (75% adoption and a maximum assessment rate of \$5.00 per nightly room), TIAs could generate:

- **\$110.4M in TIA funding.**
- **\$3.3B in new visitor spending.**
- **57,276 jobs across Arizona.**
- **\$2.2B in labor income.**
- **\$6.3B in economic output.**
- **\$763.5M in state and local tax revenues.**

Economic Impacts by Government Entity

The totals for state and local tax revenue collections under the TIA bill are also separated by size of government entity, including city level, county level, and state level impacts. Under the baseline scenario the cities receive the largest dollar value in terms of fiscal impact each year, equal to \$205M.

The additional revenue that the state would collect would help mitigate any negative impacts of reduced federal funding distributed to the states, as well as to help maintain the state's current economic momentum.

County level taxes are expected to exceed \$50M each year under the baseline scenario, while the state is expected to receive more than \$130M in net-new tax revenue each year.



The impact values are highlighted in Figure 3. Note: these referenced statistics are based on the baseline scenario. If the optimistic scenario is realized the additional tax revenues for each of the listed government entities would more than double.

Figure 3 - Potential Economic and Fiscal Impacts of TIAs			
	Conservative	Baseline	Optimistic
# of Hotel Rooms Assessed	42,800	67,300	91,800
Assessment Rate	\$2.00 per room	\$3.50 per room	\$5.00 per room
TIA Funding	\$20,604,800	\$56,663,200	\$110,382,900
New Visitor Spending	\$618,144,100	\$1,699,896,300	\$3,311,486,400
Jobs	10,692	29,402	57,276
Labor Income	\$418,788,400	\$1,151,668,100	\$2,243,509,400
Economic Output	\$1,179,588,100	\$3,243,867,200	\$6,319,221,900
Tax Revenues	\$142,516,900	\$391,915,700	\$763,478,800
State Taxes	\$48,037,900	\$132,097,200	\$257,332,300
County Taxes	\$19,785,400	\$54,410,600	\$105,998,000
City Taxes	\$74,693,600	\$205,407,900	\$400,148,500

Source: Rounds Consulting Group, Inc.



ADDITIONAL TIA BENEFITS & OPPORTUNITIES

The larger scale economic and fiscal impacts associated with the creation of a TIA have been examined in detail in previous sections to this report. However, there are additional economic benefits that should also be considered. These include:

Continued advancement in the state's economic competitiveness profile: Following the Great Recession of 2008, Arizona fell to 49th in the country in terms of job growth. The Legislature and the Governor responded by making changes to the tax code, creating new economic development programs, and reducing regulatory burdens.

The investments in positive ROI programs allowed the state to not just grow again, but to grow well with higher incomes. This generated the tax revenue and enhanced economic base that **allowed for the 2.5% flat tax to be implemented, allowed for higher quality roads to be constructed, enhanced workforce training programs, and enhanced public safety, among others.** The state is now considered one of the top job creators in high-tech today...only because of these past actions.

Enhanced TIA opportunities will generate net-new state and local tax revenues, primarily from out-of-state visitors, that will allow local leaders to continue to advance Arizona's competitive position over the next decade. At the same time, the overall tax burden on state residents can be reduced or higher quality services can be provided (or a combination of the two can be implemented).

Improved rural and small business trade opportunities: Additional tax revenue can be derived from establishing certain tourism-related projects with our economic development partners in northern Mexico, Canada, Europe, and Asia.

For example, opportunities exist for joint tourism promotion between Arizona and the government of Sonora, Mexico. Previous discussions included Arizona hosting a food and wine event in the spring each year followed by Sonora, Mexico hosting an event in the fall that promotes its own beverages and cuisine.

These types of tourism-based outreach projects lead to the establishment of favorable partnerships related to job creation and, ultimately, increased tax revenues. An event like this would also promote portions of rural Arizona as well as support small businesses in these same areas.



Offsetting revenue reductions at the state and local levels of government: The economic and fiscal impacts related to establishing TIAs in Arizona are calculated to be significant. The previous section of this report highlighted that state and local tax revenues each year will likely increase by \$300M to \$500M at full implementation.

The state may soon be faced with additional fiscal constraints related to federal government reductions in programs that distribute tax revenue directly to the states for things like healthcare.

The additional tax revenue that would be collected under the TIA proposal would not fully offset these negative impacts; however, the extra revenue from the TIAs would allow for some vital programs to continue to be funded.

It is similar for cities throughout the state. The elimination of the rental tax and the current consideration of eliminating the food tax would reduce city tax revenues, especially in rural parts of the state, depending on how it's implemented.

Interestingly, the state's cities and towns would be the largest recipient of revenue derived from the implementation of the TIA proposal (\$205.4M per year under the Baseline scenario). State tax revenue collections (\$132.1M per year) is the second largest category, followed by county level tax collections (\$54.4M) and the TIAs themselves.

Flexibility with implementation and coordination: The proposal will require cooperation between government entities, hotels, Destination Marketing Organizations and the TIAs, thus increasing opportunities to generate economies of scale related to tourism promotion as well as enhanced coordination on the tangential economic development opportunities that will arise.

Since counties and municipalities have full discretion over the consideration of TIA creation and ability to dissolve TIAs, any established TIAs will need to be fully integrated with the partnering government entity. This will ultimately add efficiency to the TIA program and also allow for additional tax revenues to be collected across the state.

The aforementioned examples of additional considerations are but a fraction of the total opportunities for state and local government entities to benefit from the creation of TIAs in Arizona. These benefits will be shared by Arizona's taxpayers as well.



APPENDIX: METHODOLOGY AND ASSUMPTIONS

The approach to quantify the economic contributions of enhanced tourism-related activity is grounded in established industry standards and leverages proprietary economic modeling techniques.

This approach enhances the precision and depth of the analysis, going beyond conventional approaches by incorporating tailored adjustments specific to Arizona's economic landscape.

Economic Impact Model Methodology

An economic and fiscal impact model provides a quantifiable method to estimate the economic activity of a particular activity in a given area. Impacts can be used to measure existing activity and to measure potential expansions/contractions of an area's economy resulting from changes in economic activity.

Typically, the level of economic effects resulting from the activity is estimated in terms of *economic output*, *jobs*, *labor income*, and *tax revenues*. These are defined as:

- **Economic output** captures the broader level of economic activity, or the total value of goods and services produced in the region, similar to how statistics like gross domestic product (GDP) capture economic volume in individual states and across the country.
- **A job** is simply one person working a full-time job over a one-year period.
- **Labor income** represents the income earned by employees. The earnings component is used to measure the total change in income throughout the economy due to economic or business activity.
- **Tax revenues** refer to the estimated annual government tax revenues that are generated by a particular project, policy, business, development, or activity in a given area.

For example, the types of government taxes analyzed include sales taxes, state income taxes, and property taxes, among others. The types of activities subject to



these taxes include payrolls, retail sales, real/personal property, and construction, to name a few.

The economic and fiscal impacts that occur as a direct consequence of the initial activity create additional activity in the regional economy. This relationship is known as the *multiplier effect*.

The basis for multiplier effects is the interdependencies between industries, how one industry impacts other sectors, and the cycle of spending and re-spending within the regional economy.

An input-output model is used to generate these multipliers. These multipliers quantify relationships among industries and estimate the extent to which the area being analyzed can capture sales, economic activity, and job impacts within the region.

Input-output models measure impacts based on their source. *Direct* effects are the result of the initial activity being analyzed. The multiplier effects, or secondary effects, are measured as either *indirect* or *induced*. These are defined as:

- **Direct effects, or impacts**, measure the economic activity at an individual site or the initial economic change attributed to the event under consideration.
- **Indirect impacts** capture additional economic output, labor income, employment, and tax revenue changes generated as a result of increased demand in the industries that supply services or products to the direct businesses.
- **Induced impacts** capture additional output, labor income, employment, and tax revenue changes generated as a result of increased spending in the local economy made by the households of both the direct and indirect employees.

This supports employment and further economic activity in the community at local grocery stores, restaurants, gas stations, etc.

A commonly used input-output model framework for generating economic multipliers is called *IMPLAN* (short for “impact analysis for planning”). Originally developed by the U.S. Forest Service in the 1970s, the responsibility for developing IMPLAN data sets shifted to the University of Minnesota as demand grew for regional models.

Now, IMPLAN runs as a private organization and is the leading provider of nationwide economic impact data and analytical software. The RCG custom economic impact model employs this input-output methodology.



Primary Assumptions – TIA Model Development

The impacts were calculated using national and local data from a variety of sources, Arizona-specific multipliers, and industry standards. This approach ensures that the calculations accurately represent the specific economic dynamics and fiscal considerations of the local community.

The assumptions and data used in this analysis are subject to marginal uncertainty and variation. Therefore, actual impacts may vary, and some impacts may not materialize due to unanticipated events and changing circumstances. However, RCG has made extensive efforts to confirm the accuracy of the information contained in this analysis.

According to estimates from CoStar, there were an estimated 122,412 hotel rooms across the state in 2024. On average, there were approximately 95 rooms per building. Statewide the occupancy rate was 65.7%, and the average daily rate (ADR) stood at \$156.17. In total, hotel room revenues reached \$4.7B in 2024.

The Phoenix metropolitan statistical area (MSA) accounted for the majority of the state's hotel inventory, with 73,198 rooms (59.8%). The Tucson MSA followed, comprising 16,409 rooms (13.4%). Other key tourism regions included Prescott and Sedona, which collectively accounted for 12,122 rooms (9.9%), and Flagstaff, with 5,532 rooms (4.5%).

Figure 4 - Arizona Hotel Statistics (2024)

Market	Hotel Room Supply	Occupancy	ADR	Total Room Revenue
Arizona	122,412	65.7%	\$156.17	\$4,676,384,361
Flagstaff Area	5,532	70.6%	\$123.48	\$175,551,577
Grand Canyon Area	4,526	62.4%	\$138.77	\$148,960,336
Phoenix MSA	73,198	69.0%	\$155.23	\$3,035,588,946
Prescott & Sedona Area	12,122	63.2%	\$137.25	\$357,784,988
NE & Holbrook Area	4,090	56.2%	\$101.57	\$93,138,128
SE & Sierra Vista Area	2,058	57.7%	\$104.07	\$107,419,760
Tucson MSA	16,409	61.6%	\$153.47	\$577,740,412
Yuma Area	4,477	60.4%	\$111.31	\$166,673,731

Source: CoStar

The Grand Canyon and Yuma regions each represented approximately 3.7% of the state's inventory, with 4,526 and 4,477 rooms, respectively. The northeast, including Holbrook, held 4,090 rooms (3.3%), while the southeast, including Sierra Vista, accounted for 2,058 rooms (1.7%).



At the city level, Phoenix had the highest number of hotel rooms in the state, with 25,920 rooms (21.1% of the total inventory). Tucson and Scottsdale followed, with 15,408 (12.6%) and 15,287 (12.5%) rooms, respectively. Tempe ranked fourth with 7,357 rooms (6.0%), while Mesa rounded out the top five with 5,399 rooms (4.4%).

