

Economic Impact of the Deepwater Horizon Oil Spill on South Mississippi: Initial Findings on **Tax Revenue**

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Summary: The impact of the Deepwater Horizon oil spill is significant on the Mississippi coastal communities. We estimate tax revenue losses from May-August 2010 to be \$11 million, down 6.6% from the same period in 2009 in the three coastal counties of Hancock, Harrison and Jackson. This estimate includes the tourism and service sectors related to hotels, restaurants and food and beverage outlets but does not include the losses in the seafood sectors such as shrimping.

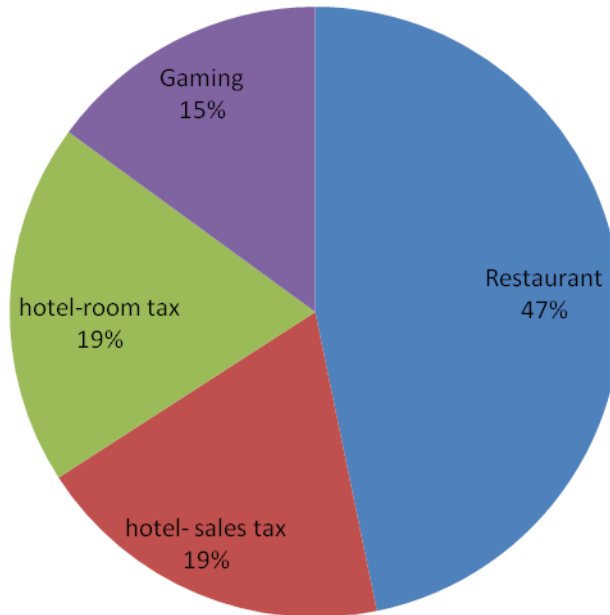
Background: Starting on May, 13, 2010, the research team began interviews with business owners and operators in the seafood and tourism sectors in south Mississippi. Since that time over 50 interviews have been conducted with the aim of trying to understand what, if any, economic impact the oil spill had on tax revenue for the state and local governments. We follow up each interviewee every three weeks to determine how they are adapting to the unfolding economic events related to the oil spill. Typical businesses examined include hotels, restaurants, charter and head boats, casinos and casino hotels, seafood processors and suppliers to the seafood industry. All interviews are anonymous, were recorded for transcription, and the interview instrument was tested and then approved by the university's institutional review board.

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Sources of Direct Tax Losses: May-August 2010 for MS Gulf Coast Counties



Tax Revenue: Tax revenue in May 2010 is expected to be significantly down from the tourism sector, namely in the categories of hotels (non-casino) and restaurants. Non-casino hotel revenue is down 50% from this time in 2009. Hotels charge the state sales tax rate of 7% as well as an additional 5% occupancy tax in Harrison County and 2% occupancy tax in Hancock County. This downturn equates to a \$1,673,366 loss in sales tax revenue and an occupancy tax loss of \$956,209 compared to the same period in 2009.

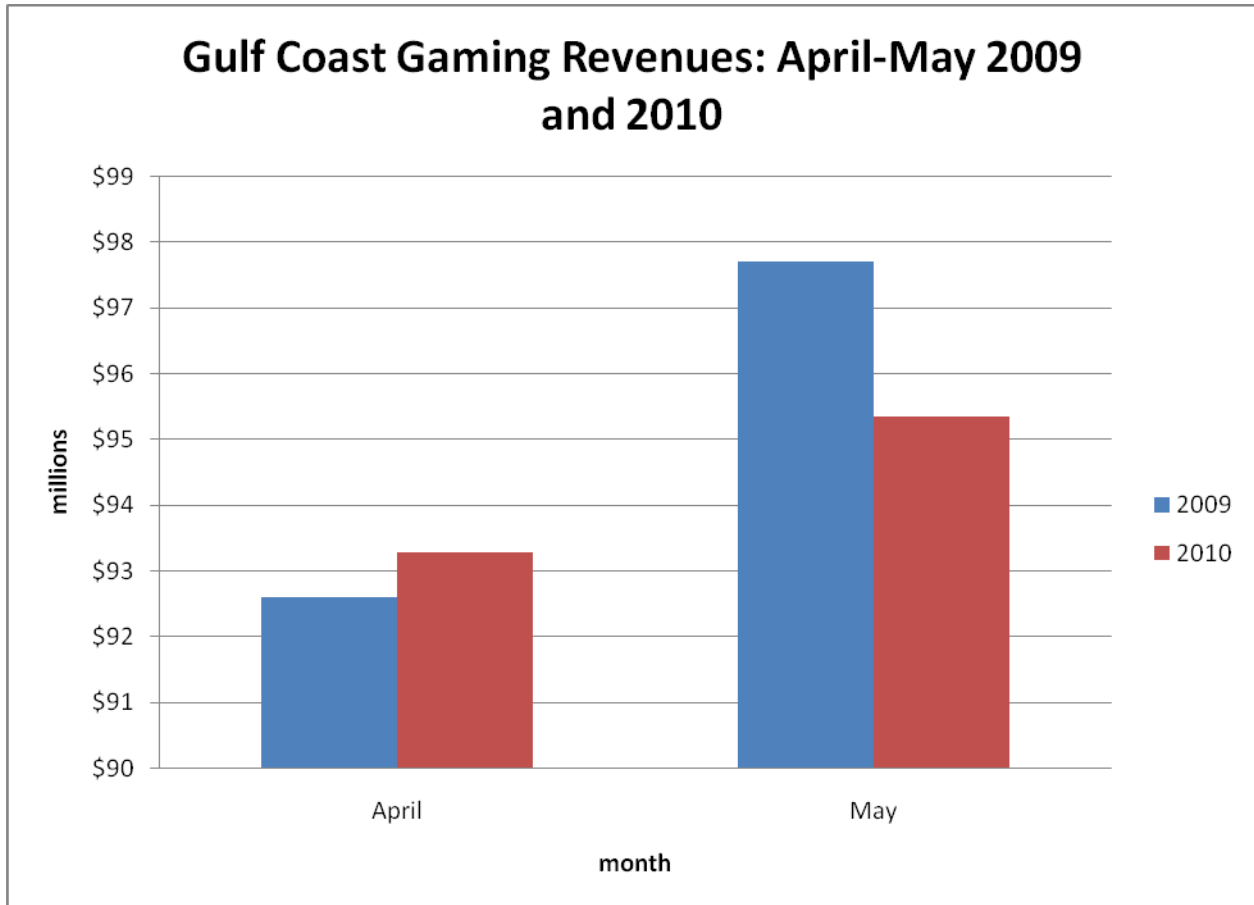
Seafood-focused restaurants sales are down at least 30% from the same time last year while at the same time seafood prices are up an average of 30%. Other restaurants in the bottom three counties of Mississippi were down approximately 15% from the same time in 2009 due to the decline in tourism to the coast, equating to a total tax revenue loss of \$4,089,098 from the same period in 2009.

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Gaming revenue has recorded a slight drop from 2009, with revenue for May off by approximately 2% for Gulf Coast Casinos. If these casinos continue to be down 2% compared to 2009, this will yield a loss of \$13 million in gaming taxes for the May-August period. Casinos are a critical industry within the state for tax purposes because they produce over \$300 million annually which is approximately 4% of the state's general revenue. At present there is a minimal impact from the oil spill on the gaming sector along the Mississippi Gulf coast. The main concern is about the long-term impact to the gulf coast as a destination and a brand.



In addition to the direct tax losses in the tourism sector and the restaurant sector, there are indirect impacts to taxes as these businesses hire fewer workers and buy fewer goods and services from the local economy. Using a multiplier of 1.4, we estimate that the total tax losses including both direct and indirect revenue to be \$2.3 million for the four months May-August 2010.

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Limitations: The data in this report is based on a snowball sampling of individual interviews within the seafood and tourism sectors in south Mississippi. Therefore the findings should not be extrapolated to sectors as a whole, to other sectors or the same sectors in other states.

Future Releases: We will release an additional white paper on the economic impact of the oil spill with a focus on employment on June 28, 2010. On June 14, 2010, we released the first white paper focused on loss of revenue to businesses which can be downloaded at the following URL
<http://www.usm.edu/oilspill/white-paper-1.php>.

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