December 2013

JOHNSON COUNTY INKEEPER'S TAX

PROPOSAL

Research and Information

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Research by Aspire Johnson County

JOHNSON COUNTY
INNKEEPER'S TAX PROPOSAL
FREQUENTLY ASKED QUESTIONS

ABOUT THE PROPOSAL

What is an Innkeeper's Tax?
It is a fee on the revenue of those engaged in the business of renting or furnishing, for periods of less than 30 days, any room or rooms, lodging, or accommodations in any hotel, motel, boat motel, inn, college or university (except for credit-seeking student stays and other stays of more than 30 days), or tourist cabin located in the county.

How much is being proposed for Johnson County?
The ordinance calls for a 5 percent tax of revenue. By law, the funds can only be used for the express purpose of marketing Johnson County as a destination for living, visiting and working. Exceptions to that purpose are granted only by the Indiana General Assembly.

Why is this being proposed for Johnson County?
The promotion of Johnson County is a critical piece of economic development, and it is not happening now. A professional, comprehensive marketing effort would generate more income for all types of business, improve the quality of life in our county and lessen the burden on property taxpayers by generating revenue from other sources.

How is this different from other taxes imposed by the County Council?
Unlike property taxes, these are fees attached to visitors who use hotels, motels and inns. More than 75 percent of these visitors come from outside the county -- and are here as part of a vacation or pass-through stay or in our community doing business.

Who collects and distributes the Innkeeper's Tax revenue?
The county treasurer establishes a convention, visitor and tourism promotion fund and deposits the collected tax to it. (IC 6-9-18 Sec. 4a) It is standard practice for the county to collect the tax for a year before an initial budget is proposed to the County Council.

How much money would an Innkeeper's Tax initially generate for Destination Marketing in Johnson County?
Research provided by Aspire Johnson County estimates that the proposed 5 percent tax would generate approximately $680,000 annually for a Johnson County CVB. This is a very conservative estimate formulated by the number of rooms and the average annual tax revenue of 5 percent on each room. This information is provided by the independent research firm Smith Travel Research Report, which tracks hotel room usage, innkeeper revenue and local tax rates.

ABOUT THE TOURISM BUREAU

What is a Tourism Commission and how is it created?
The County Commissioners would create a commission to promote the development and growth of the convention, visitor and tourism industry in the county. By law, the Greenwood Mayor (as chief executive of the largest city) also appoints a number of members equal in ratio to the commission as the ratio of the population of the municipality to the total county population.

What is the makeup of a Tourism Commission?
Indiana law IC 6-9-18 Sec. 5a, b states:

- A simple majority of the members must be engaged in convention, visitor or tourism business, or involved in or promoting conventions, visitors, or tourism
- If available and willing to serve, at least (2) of the members must be engaged in the business of renting or furnishing rooms, lodging, or accommodations
- Not more than one member may be affiliated with the same business entity
- No more than a simple majority of members may be affiliated with the same political party
- Each member must reside in the county

It is standard practice that the Tourism Commission is created during the first year of the tax collection, before the initial budget is compiled.

How does a Tourism Commission work?
Indiana law says the Tourism Commission shall make rules necessary for the conduct of its business and the accomplishment of its purpose. It may enter into contracts and agreements. It must also prepare and submit for approval an annual budget to the County Council. (IC 6-9-18 Sec. 6a, b) The Tourism Commission, taking into consideration the recommendations and suggestions of the County Commissioners and County Council, will establish the goals and mission for the Tourism Commission's efforts.

Is a CVB another government agency with government employees?
The Tourism Commission creates the Non-Profit Convention and Visitors Bureau and hires a professional staff. The professional staff size depends directly on money available through the tax. They are not county government employees and are not paid through the county's general fund.

What are the typical expenditures (percentage of budget) by a CVB?
Researched by Aspire Johnson County, a model budget (see attached) would include:

- Marketing Activities (website, advertising, events, creative services) 60 percent
- Office Operations (rent, utilities, equipment) 11 percent
- Staff (salaries, benefits, expenses) 24 percent
- Community Development (grants to destination organizations) 5 percent

ABOUT DESTINATION AND COMMUNITY MARKETING

What is Destination Marketing?
It is a proactive, strategic, visitor-centered approach to the economic and cultural development of a location, which balances and integrates the interests of visitors, service providers and the community.

What is the economic benefit of Destination Marketing?
A study by the Ball State University Center for Business and Economic Research found:

- Every $1 spent on tourism marketing generates $15 in direct economic benefit in Indiana.
- Every $1 spent on tourism marketing generates $150 in income of tourism-related businesses. This includes retail stores, restaurants, arts and recreation facilities and hotels.
- Every $1 spent on tourism and community marketing boosts incomes to local tourism-related workers by $200.

Is this approach to community marketing happening in other Indiana counties?
71 of 92 Indiana counties have an Innkeeper's Tax, a CVB and Destination Marketing programs.

How many other Central Indiana counties use this approach to community marketing?
Johnson County is the only Central/South Central Indiana county without an Innkeeper's Tax that funds community marketing programs. Hamilton, Hendricks, Hancock, Boone, Brown, Bartholomew and Madison counties have highly successful community marketing efforts funded through Innkeeper's Tax programs.

What are "Export Dollars"?
This is money earned by someone in another location and spent in your community. They are not "recycled dollars" (earned here and spent here). "Export Dollars" are new revenue for retail stores, restaurants and other local businesses. They also generate new tax dollars to local government through retail, restaurant and fuel sales. The goal of Destination Marketing is to capture "Export Dollars" as a critical part of economic development.

What businesses, other than hotels, benefit from Destination Marketing?
Only 10 percent of a visitor's "Export Dollars" are spent on hotels and inns. The remaining 90 percent of "Export Dollars" go to restaurants, retail stores, gas stations, recreation businesses, etc. -- all which generate jobs and other tax sources.

How do you measure success in the Destination Marketing effort?
The Travel Industry Association of America (TIA) likens tourism economic measurements to an iceberg – with direct expenditures found above the water line and indirect impact found below the surface. According to Brenda Myers of the Hamilton County CVB, their county gets a direct economic impact of $216 million in spending annually by visitors. That includes 4,599 jobs and a traveler-generated $13.9 million in local taxes.

Does this additional tax revenue help relief property taxes?
According to Jim Epperson, executive director of Visit Southern Indiana, a study on Harrison County showed that additional tax revenue generated by visitors provides an average of $600 worth of property tax relief per taxpayer each year.

ABOUT MARKETING STRATEGY

What are you "selling" in Johnson County through Destination Marketing?
In essence, you are promoting the "experience" of coming to Johnson County. Destination marketing creates a "buzz" about the county as a place where people want to spend time and money. By knowing more information about the county and all of its amenities -- they want to be here.

What kinds of amenities could be promoted in Johnson County?
While the community doesn't feature ocean beaches or mountain ranges, Johnson County has:

- 29 attractions, outdoor activities and arts/antique offerings
- 14 golf courses
- 100 sit down restaurants
- 29 festivals and community events
- 48 parks
- 5 entertainment venues

What would be the key approach to marketing Johnson County as a "destination"?
It starts and ends with digital marketing -- in particular a robust website that is rich in content about all of Johnson County's tourism-related places, events and businesses. This digital marketing campaign must be strategic and sustainable. According to the Pew Internet and American Life Project, 73 percent of American Internet users obtain travel-related information from the web. The Pew report also said: "In order to design these systems and to make them effective, there must be an understanding of how people search for travel information on the web." That requires a professional and well-trained CVB staff, and a complex website.

Who would be the "targeted audience" in Destination Marketing?
A professional staff and the Tourism Commission would develop the brand strategy and systematically identify targeted audiences. Messages would be crafted to reach these audiences -- who could range from business travelers to sports travel team families to outdoor enthusiasts to golfers to shoppers to diners.

How successful is Destination Marketing in Indiana?
Tourism is the third largest industry in the state. More than $10 billion in tourism dollars are spent in the state annually, contributing more than $1 billion in state and local taxes. So, it helps everyone -- not just hotels and restaurants.

ABOUT ASPIRE JOHNSON COUNTY

What is Aspire Johnson County?
This is a group of approximately 60 community stakeholders who have launched an initiative to make their county a great place to work, live and do business. Participants include leaders from private businesses, local government, higher education, non-profits and financial institutions. Organizers of "Aspire Johnson County" are addressing key issues such as:

- fostering collaboration between local government entities,
- bringing in diverse businesses,
- attracting and retaining professional talent,
- promoting the county as a desirable community,
- and developing economic opportunities along key transportation corridors.

What role has the Aspire Johnson County group played in the proposal of an Innkeeper's Tax?
A committee of 15 stakeholders have been researching ways Johnson County could promote itself through Destination Marketing. They researched the need for and benefits of a robust marketing effort as a critical piece of local economic development. They looked at ways this could be funded and sustained in the long term.

Johnson County Council members Anita Knowles and Loren Snyder, who are part of Aspire Johnson County, asked the committee to research an Innkeeper's Tax as a potential revenue source for Destination Marketing. They also asked the group to find out how the county would go about creating a Convention and Visitors Bureau to promote the county.

AJC members spent more than three months researching economic impact statistics, the benefits and challenges of a CVB and the state law regarding an Innkeeper's Tax and Tourism Commission. They also created a business model that projects possible income and expenditures.

Is Aspire Johnson County endorsing an Innkeeper's Tax for Johnson County?
Aspire Johnson County does not formally endorse any local ordinance or political position. Individual group members may or may not support local government initiatives, and are free to testify on behalf of or against any proposal before local government entities. As is in this case, AJC's role is to deliberate community issues, provide research and encourage collaboration toward solutions.

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JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

INDIANA UNIFORM COUNTY INKEEPERS' TAX

IC 6-9-18

Go

Information Maintained by the Office of Code Revision Indiana Legislative Services Agency

IC 6-9-18

Chapter 18. Uniform County Innkeeper's Tax

IC 6-9-18-1

Application of chapter

Sec. 1. This chapter applies to any county that is not required to impose an innkeeper's tax under any other chapter of this article. However, a county that imposes an innkeeper's tax under this chapter may not also impose an innkeeper's tax under another chapter.

As added by Acts 1982, P.L.1, SEC.21. Amended by P.L.55-1984, SEC.5; P.L.74-1986, SEC.6; P.L.32-1986, SEC.3.

IC 6-9-18-2

Definitions

Sec. 2. As used in this chapter:

"Executive" and "fiscal body" have the same meanings that are prescribed by IC 36-1-2.

"Gross retail income" and "person" have the same meanings that are prescribed by IC 6-2.5-1.

As added by Acts 1982, P.L.1, SEC.21.

IC 6-9-18-3

Tax on lodging income

Sec. 3. (a) The fiscal body of a county may levy a tax on every person engaged in the business of renting or furnishing, for periods of less than thirty (30) days, any room or rooms, lodgings, or accommodations in any:

(1) hotel;
(2) motel;
(3) boat motel;
(4) inn;
(5) college or university memorial union;
(6) college or university residence hall or dormitory; or
(7) tourist cabin;

located in the county.

(b) The tax does not apply to gross income received in a transaction in which:

(1) a student rents lodgings in a college or university residence hall while that student participates in a course of study for which the student receives college credit from a college or university located in the county; or

(2) a person rents a room, lodging, or accommodations for a period of thirty (30) days or more.

(c) The tax may not exceed the rate of five percent (5%) on the gross retail income derived from lodging income only and is in addition to the state gross retail tax imposed under IC 6-2.5.

(d) The county fiscal body may adopt an ordinance to require that the tax be reported on forms approved by the county treasurer and that the tax shall be paid monthly to the county treasurer. If such an ordinance is adopted, the tax shall be paid to the county treasurer not

more than twenty (20) days after the end of the month the tax is collected. If such an ordinance is not adopted, the tax shall be imposed, paid, and collected in exactly the same manner as the state gross retail tax is imposed, paid, and collected under IC 6-2.5.

(e) All of the provisions of IC 6-2.5 relating to rights, duties, liabilities, procedures, penalties, definitions, exemptions, and administration are applicable to the imposition and administration of the tax imposed under this section except to the extent those provisions are in conflict or inconsistent with the specific provisions of this chapter or the requirements of the county treasurer. If the tax is paid to the department of state revenue, the return to be filed for the payment of the tax under this section may be either a separate return or may be combined with the return filed for the payment of the state gross retail tax as the department of state revenue may, by rule, determine.

(f) If the tax is paid to the department of state revenue, the amounts received from the tax imposed under this section shall be paid monthly by the treasurer of state to the county treasurer upon warrants issued by the auditor of state.

As added by Acts 1982, P.L.1, SEC.21. Amended by P.L.108-1987, SEC.16; P.L.67-1997, SEC.18.

IC 6-9-18-4
Convention, visitor, and tourism promotion fund

Sec. 4. (a) If a tax is levied under section 3 of this chapter, the county treasurer shall establish a convention, visitor, and tourism promotion fund. He shall deposit in this fund all amounts he receives under that section.

(b) In a county in which a commission has been established under section 5 of this chapter, the county auditor shall issue a warrant directing the county treasurer to transfer money from the convention, visitor, and tourism promotion fund to the commission's treasurer if the commission submits a written request for the transfer.

(c) Money in a convention, visitor, and tourism promotion fund, or money transferred from such a fund under subsection (b), may be expended only to promote and encourage conventions, visitors, and tourism within the county. Expenditures under this subsection may include, but are not limited to, expenditures for advertising, promotional activities, trade shows, special events, and recreation.

(d) If before July 1, 1997, a county issues a bond with a pledge of revenues from the tax imposed under section 3 of this chapter, the county shall continue to expend money from the fund for that purpose until the bond is paid.

As added by Acts 1982, P.L.1, SEC.21. Amended by P.L.97-1983, SEC.1; P.L.55-1984, SEC.6; P.L.67-1997, SEC.19; P.L.46-1998, SEC.7.

IC 6-9-18-5
Commission for promotion of convention, visitor, and tourism industry; creation; membership; organization

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Sec. 5. (a) If a tax is levied under section 3 of this chapter, the county executive shall create a commission to promote the development and growth of the convention visitor, and tourism industry in the county. If two (2) or more adjoining counties desire to establish a joint commission, the counties shall enter into an agreement under IC 36-1-7.

(b) The county executive shall determine the number of members, which must be an odd number, to be appointed to the commission. A simple majority of the members must be:

(1) engaged in a convention, visitor, or tourism business; or

(2) involved in or promoting conventions, visitors, or tourism.
If available and willing to serve, at least two (2) of the members must be engaged in the business of renting or furnishing rooms, lodging, or accommodations (as described in section 3 of this chapter). Not more than one (1) member may be affiliated with the same business entity. No more than a simple majority of the members may be affiliated with the same political party. Each member must reside in the county. The county executive shall also determine who will make the appointments to the commission, except that the executive of the largest municipality in the county shall appoint a number of the members of the commission, which number shall be in the same ratio to the total size of the commission (rounded off to the nearest whole number) that the population of the largest municipality bears to the total population of the county.

(c) This subsection applies to a county in which a tax imposed under this chapter becomes effective after December 31, 1989. If a municipality other than the largest municipality in the county collects fifty percent (50%) or more of the tax revenue collected under this chapter during the three (3) month period following imposition of the tax, the executive of the municipality shall appoint the same number of members to the commission that the executive of the largest municipality in the county appoints under subsection (b).

(d) Except as provided in subsection (c), all terms of office of commission members begin on January 1. Initial appointments must be for staggered terms, with subsequent appointments for two (2) year terms. A member whose term expires may be reappointed to serve another term. If a vacancy occurs, the appointing authority shall appoint a qualified person to serve for the remainder of the term. If an initial appointment is not made by February 1 or a vacancy is not filled within thirty (30) days, the commission shall appoint a member by majority vote.

(e) A member of the commission may be removed for cause by his appointing authority.

(f) Members of the commission may not receive a salary. However, commission members are entitled to reimbursement for necessary expenses incurred in the performance of their respective duties.

(g) Each commission member, before entering his duties, shall take an oath of office in the usual form, to be endorsed upon his certificate of appointment and promptly filed with the clerk of the circuit court of the county.

(h) The commission shall meet after January 1 each year for the purpose of organization. It shall elect one (1) of its members president, another vice president, another secretary, and another treasurer. The members elected to those offices shall perform the duties pertaining to the offices. The first officers chosen shall serve from the date of their election until their successors are elected and qualified. A majority of the commission constitutes a quorum, and the concurrence of a majority of the commission is necessary to authorize any action.

As added by Acts 1982, P.L.1, SEC.21. Amended by P.L.97-1983, SEC.2; P.L.62-1990, SEC.7; P.L.67-1997, SEC.20.

IC 6-9-18-6
Powers of commission; expenditures

Sec. 6. (a) The commission may:

(1) accept and use gifts, grants, and contributions from any public or private source, under terms and conditions that the commission considers necessary and desirable;

(2) sue and be sued;

(3) enter into contracts and agreements;

(4) make rules necessary for the conduct of its business and the accomplishment of its purposes;

(5) receive and approve, alter, or reject requests and proposals for funding by corporations qualified under subdivision (6);

(6) after its approval of a proposal, transfer money, quarterly or less frequently, from the fund established under section 4(a) of this chapter, or from money transferred from that fund to the commission's treasurer under section 4(b) of this chapter, to any Indiana not-for-profit corporation to promote and encourage conventions, visitors, or tourism in the county; and

(7) require financial or other reports from any corporation that receives funds under this chapter.

(b) All expenses of the commission shall be paid from the fund established under section 4(a) of this chapter or from money transferred from that fund to the commission's treasurer under section 4(b) of this chapter. The commission shall annually prepare a budget, taking into consideration the recommendations made by a corporation qualified under subsection (a)(6) and submit it to the county fiscal body for its review and approval. An expenditure may not be made under this chapter unless it is in accordance with an appropriation made by the county fiscal body in the manner provided by law.

As added by Acts 1982, P.L.1, SEC.21. Amended by P.L.55-1984, SEC.7; P.L.67-1997, SEC.21.

IC 6-9-18-7
Disposition of funds; audit

Sec. 7. All money coming into possession of the commission shall be deposited, held, secured, invested, and paid in accordance with

statutes relating to the handling of public funds. The handling and expenditure of money coming into possession of the commission is subject to audit and supervision by the state board of accounts.

As added by Acts 1982, P.L.1, SEC.21.

IC 6-9-18-8
Unauthorized transfer or use of funds; offenses

Sec. 8. (a) A member of the commission who knowingly:

(1) approves the transfer of money to any person or corporation not qualified under law for that transfer; or

(2) approves a transfer for a purpose not permitted under law;

commits a Class D felony.

(b) A person who receives a transfer of money under this chapter and knowingly uses that money for any purpose not permitted under this chapter commits a Class D felony.

As added by Acts 1982, P.L.1, SEC.21.

Process for Establishing and Utilizing an Innkeeper's Tax
(Per Indiana Code 6-9-18)

Step 1. The county fiscal body (County Council) may levy the tax on those engaged in the business of renting or furnishing, for periods of less than thirty (30) days, any room or rooms, lodging, or accommodations in any hotel, motel, boat motel, inn, college or university (except for credit-seeking student stays and other stays of more than thirty (30) days), or tourist cabin located in the county. (IC 6-9-18 Sec. 3a)

Step 2. The county fiscal body (County Council) may adopt an ordinance to require that the tax be reported on forms approved by the county treasurer and that the tax shall be paid monthly to the county treasurer office. (IC 6-9-18 Sec. 3d)

Step 3. The county treasure shall establish a convention, visitor, and tourism promotion fund and deposits the collected innkeeper's tax to it. (IC 6-9-18 Sec. 4a) (Standard Practice: The County should collect the tax for a year before an initial budget is proposed to the County Council on how the money should be spent. This way the tourism commission cannot exceed that amount.)

Step 4. The county executive (County Commissioners) shall create a commission to promote the development and growth of the convention, visitor and tourism industry in the county. The county executive determines the number of members, which must be an odd number, to be appointed to the commission. The county executive shall also determine who will make the appointments to the commission. (IC 6-9-18 Sec. 5a, b) (Standard Practice: Formation of the tourism commission happens during the first year of the tax collection before the initial budget is compiled.)

Step 5. The tourism commission shall make rules necessary for the conduct of its business and the accomplishment of its purpose. It may enter into contracts and agreements. It must also prepare and submit for approval an annual budget to the county fiscal body (County Council). (IC 6-9-18 Sec. 6a, b) The tourism commission, taking into consideration the recommendations and suggestions of the County Commissioners and County Council, will establish the goals and mission for the tourism commission's efforts.

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JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

SAMPLE BUDGET

Based on revenue projections of Smith Travel Research and expenditure comparison of other Central Indiana Convention and Visitors Bureaus.

DRAFT Start-Up Johnson County CVB Budget

INCOME				
Innkeepers Tax	$ 676,500.00	1353 rooms in JC x $500/rm/yr tax colletion @ 5% - very conservative. Suggested figure $750/rm/yr		
Partner In-Kind Trade	$ 7,300.00	Free stuff taken in (hotels, golf, meals) that has to be books as revenue & expense		
Estimate $500 per Room in Collections				
Total Revenue	**$ 683,800.00**			
EXPENSES				
Marketing			**$ 405,310.00**	60%
Creative Contract	$ 40,000.00	Agency Advisor (i.e. Propeller Marketing specializing in Travel/Tourism)		
Advertising	$ 190,000.00	Paid media & 15% commission back to Agency. Magazine print, TV/Radio, Web per click		
Web Development	$ 36,710.00			
Digital Marketing Intelligence	$40,000	Sophisticated internet marketing coordinated with website (i.e. Simple View specializing in destination marketing)		
Photography	$ 7,300.00			
Exhibition/City Displays	$ 11,000.00			
Print (Collateral):				
Travel Guide	$ 11,000.00			
Niche Market Pieces	$ 7,300.00			
Map	$ 3,600.00			
Sports	$ 7,300.00	Sport related print material, Bid pkgs for large event attraction, Grants to sport orgs to mkt their events		
Sales Memberships	$ 11,000.00	Memberships to attend sales shows - learn opportunity to mkt community on larger scale		
Seasonal Guides	$ 14,600.00			
Sales Related Travel	$ 14,600.00			
Partner In-Kind Trade use	$ 7,300.00	Free stuff taken in (hotels, golf, meals) that has to be books as revenue & expense		
Promotional	$ 3,600.00	Swag, familiarization tours for media, national tourism week promo - raise awareness		
Operations			**$ 74,415.00**	11%
Rent				
1500 square feet @ $18	$ 27,000.00			
Utilities	$ 4,100.00			

Insurance (D&O, General)	$	3,700.00			
Vehicle Lease/Maintenace	$	4,100.00			
Gasoline	$	1,000.00			
Postage	$	4,500.00			
Furnishings (Year 1)	$	16,515.00			
3 Offices, 1 Small Meeting Area					
Mailing Supplies	$	750.00			
Office iPhone	$	200.00			
Office Cell Service	$	1,000.00			
Copier Lease (printer, scanner, fax)	$	3,000.00			
Internet Access	$	750.00			
Copier/Fax Single Line	$	350.00			
Branded E-Mail	$	350.00			
Web Site Related (Hosting, etc.)	$	350.00			
Office Contingency	$	6,750.00			
Salaries & Related Costs			**$**	**162,950.00**	24%
1 FTE Director	$	65,000.00			
1 FTE Visitor Services/Operations	$	40,000.00			
Communications Coordinator(s)			Collaboration with Franklin College for internship positions		
Health Care Reimbursement	$	30,000.00			
Employer Taxes	$	18,000.00			
Other Insurance (e.g. Life, Workmen's)	$	1,500.00			
Employee Benefits Other	$	1,500.00			
Contract Labor - Blog, etc…	$	6,950.00			
Community Development (Grants)	**$**	**33,825.00**	**$**	**33,825.00**	5%
Total Expenses			**$**	**683,800.00**	

Innkeepers Tax Draft Deposit Sculpt Based on $676,500 in Tax Collections

Month of Deposit	% of Total	Amount
January	5%	$33,825
November Receipts		
February	5%	$33,825
December Receipts		
March	5%	$33,825
January Receipts		
April	5%	$33,825
February Receipts		
May	6%	$40,590
March Receipts		
June	5%	$33,825
April Receipts		
July	10%	$67,650
May Receipts		
August	11%	$74,415
June Receipts		
September	12%	$81,180
July Receipts		
October	12%	$81,180
August Receipts		
November	12%	$81,180
September Receipts		
December	12%	$81,180
October Receipts		
	100%	$676,500

Assumes:

Treasurer collections by the 20th of the month for the previous month, and remits with checks cut at the first of the month.

Draft Tourism Budget Expenses Sculpt

	Total	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
INCOME				Jan Taxes	Feb Taxes	Mar Taxes	Apr Taxes	May Taxes	Jun Taxes	Jul Taxes	Aug Taxes	Sep Taxes	Oct Taxes
Innkeepers Tax	$ 676,500.00												
Partner In-Kind Trade	$ 7,300.00												
Total Revenue	**$ 683,800.00**			**$33,825**	**$33,825**	**$40,590**	**$33,825**	**$67,650**	**$74,415**	**$81,180**	**$81,180**	**$81,180**	**$81,180**
EXPENSES													
Marketing													
Creative Contract	$ 40,000.00				($10,000)	($3,750)	($3,750)	($3,750)	($3,750)	($3,750)	($3,750)	($3,750)	($3,750)
Advertising	$ 190,000.00								($50,000)	($25,000)	($25,000)		
Web Development	$ 36,710.00				($12,000)	($12,000)	($10,000)	($2,710)					
Digital Marketing Intelligence	$ 40,000.00												
Photography	$ 7,300.00					($2,400)	($2,400)			($2,500)			
Exhibition/City Displays	$ 11,000.00							($11,000)					
Print (Collateral):													
Travel Guide	$ 11,000.00						($11,000)						
Niche Market Pieces	$ 7,300.00								($3,650)		($3,650)		
Map	$ 3,600.00												
Sports	$ 7,300.00									($7,300)			
Memberships	$ 11,000.00					($11,000)							
Seasonal Guides	$ 14,600.00					($4,860)				($4,860)			
Sales Related Travel	$ 14,600.00												
Partner In-Kind Trade use	$ 7,300.00					($1,460)	($1,460)	($1,460)	($1,460)	($1,460)			
Promotional	$ 3,600.00					($1,200)			($1,200)				
	$ 405,310.00												
Operations													
Rent													
1500 square feet @ $18	$ 27,000.00				($2,250)	($2,250)	($2,250)	($2,250)	($2,250)	($2,250)	($2,250)	($2,250)	($2,250)
Utilities	$ 4,100.00				($342)	($342)	($342)	($342)	($342)	($342)	($342)	($342)	($342)

Insurance (D&O, General)	$	3,700.00									
Vehicle Lease/Maintenace	$	4,100.00			($342)	($342)	($342)	($342)	($342)	($342)	($342)
Gasoline	$	1,000.00			($84)	($84)	($84)	($84)	($84)	($84)	($84)
Postage	$	4,500.00	($25)	($25)	($100)	($200)	($200)	($200)	($300)	($300)	($100)
Furnishings (Year 1)	$	16,515.00	($16,515)								
3 Offices, 1 Small Meeting Area											
Mailing Supplies	$	750.00	($50)	($50)	($400)						
Office iPhone	$	200.00	($200)								
Office Cell Service	$	1,000.00	($84)	($84)	($84)	($84)	($84)	($84)	($84)	($84)	($84)
Copier Lease (printer, scanner, fax)	$	3,000.00	($250)	($250)	($250)	($250)	($250)	($250)	($250)	($250)	($250)
Internet Access	$	750.00	($63)	($63)	($63)	($63)	($63)	($63)	($63)	($63)	($63)
Copier/Fax Single Line	$	350.00	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)
Branded E-Mail	$	350.00	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)
Web Site Related (Hosting, etc.)	$	350.00	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)	($29)
Office Contingency	$	6,750.00									($6,750)
	$	**74,415.00**									
Salaries & Related Costs											
1 FTE Director	$	65,000.00	($5,416)	($5,416)	($5,416)	($5,416)	($5,416)	($5,416)	($5,416)	($5,416)	($5,416)
1 FTE Visitor Services/Operations	$	40,000.00		($3,334)	($3,334)	($3,334)	($3,334)	($3,334)	($3,334)	($3,334)	($3,334)
Health Care Reimbursement	$	30,000.00	($2,500)	($2,500)	($2,500)	($2,500)	($2,500)	($2,500)	($2,500)	($2,500)	($2,500)
Employer Taxes	$	18,000.00	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)	($1,500)
Other Insurance (e.g. Life, Workmen'	$	1,500.00	($125)	($125)	($125)	($125)	($125)	($125)	($125)	($125)	($125)
Employee Benefits Other	$	1,500.00	($125)	($125)	($125)	($125)	($125)	($125)	($125)	($125)	($125)
Contract Labor	$	6,950.00		($579)	($579)	($579)	($579)	($579)	($579)	($579)	($579)
	$	**162,950.00**									
Communty Develop/Grants		**$33,825**									
	$	**683,800.00**									

Note: This table projects a full year, but unlikely all can be done in first year. This is reflected in the actual spend, with cash carryover for Year 2.

Timeline Suggestion

13-Dec	Pass Ordinance
	Notification to hotels to Change Software 1/1/14 -- send registered letter and call
	Meet with hotels to explain the vision
	Form search committee, establish plan
14-Jan	Begin human talent search
	Begin office search
	Establish tourism commission/board structure
14-Feb	Continue search, hopefully make offer
	Stakeholder meetings, updates, input session
14-Mar	CEO starts, begins setting up office
	Office contracted
	Support staff search begins

Tab 2 - Data by Measure

State (Physical): Sample

Job Number: 351087_SINIM Staff: AB Created: April 08, 2011

Occupancy (%)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	54.7	62.0	66.7	66.5	62.8	67.4	69.0	64.3	74.0	72.7	63.9	52.6	64.7	58.2
2006	56.6	64.7	68.2	66.1	63.5	69.9	66.7	61.5	58.9	61.7	56.4	47.2	61.7	60.5
2007	53.1	61.9	66.5	64.1	62.5	68.2	65.2	62.0	58.5	61.9	54.7	45.7	60.3	57.3
2008	50.8	59.2	62.1	62.2	57.9	63.5	63.3	56.9	55.7	56.6	48.3	41.3	56.4	54.8
2009	43.3	53.1	54.4	55.3	51.5	57.8	56.2	49.0	47.0	51.2	45.3	41.0	50.4	47.9
2010	44.3	53.7	56.1	56.4	57.2	63.4	62.4	55.2	54.4	56.8	49.3	42.8	54.4	48.8
2011	45.0	54.6												49.6
Avg	49.3	58.1	62.0	61.5	59.0	64.8	63.6	57.8	57.6	59.8	52.6	44.8	57.7	53.5

ADR ($)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	59.22	60.84	61.94	65.03	63.77	64.73	65.76	64.14	67.70	68.25	65.40	63.06	64.35	60.04
2006	64.37	67.12	67.30	69.68	68.46	69.52	69.36	67.96	68.06	72.57	67.78	64.53	68.19	65.77
2007	67.88	70.55	71.06	74.64	72.65	74.02	75.18	73.31	73.17	77.35	72.57	68.75	72.78	69.25
2008	72.38	72.88	74.34	78.08	75.63	77.95	80.07	78.80	78.24	78.60	72.72	69.11	76.04	72.64
2009	70.50	72.27	72.01	74.46	72.18	73.99	73.24	71.71	71.42	74.21	69.52	64.63	71.88	71.43
2010	66.39	68.43	68.92	72.38	71.61	72.91	72.69	71.62	72.30	75.22	70.90	65.50	71.00	67.46
2011	68.53	69.08												68.81
Avg	66.98	68.75	69.24	72.39	70.74	72.23	72.74	71.24	71.72	74.25	69.72	65.87	70.66	67.90

RevPAR ($)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	32.41	37.73	41.34	43.27	40.06	43.61	45.38	41.24	50.11	49.60	41.77	33.15	41.65	34.94
2006	36.46	43.44	45.89	46.03	43.44	48.58	46.28	41.80	40.06	44.76	38.22	30.46	42.08	39.78
2007	36.05	43.68	47.23	47.85	45.41	50.47	49.05	45.45	42.80	47.90	39.71	31.40	43.89	39.67
2008	36.75	43.12	46.16	48.59	43.80	49.47	50.66	44.86	43.57	44.53	35.12	28.52	42.89	39.79
2009	30.51	38.34	39.18	41.15	37.19	42.76	41.18	35.14	33.57	38.01	31.47	26.48	36.19	34.24
2010	29.43	36.71	38.68	40.82	40.94	46.22	45.37	39.57	39.35	42.75	34.98	28.07	38.59	32.89
2011	30.82	37.71												34.10
Avg	33.04	39.96	42.92	44.49	41.72	46.79	46.24	41.20	41.30	44.37	36.65	29.53	40.74	36.33

Supply

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	1,819,948	1,648,108	1,828,008	1,768,260	1,833,960	1,779,840	1,844,190	1,853,521	1,769,700	1,834,766	1,767,000	1,830,054	21,577,355	3,468,056
2006	1,832,813	1,657,992	1,842,857	1,806,090	1,864,805	1,803,510	1,866,014	1,870,354	1,811,490	1,885,451	1,828,170	1,898,378	21,967,924	3,490,805
2007	1,898,378	1,715,588	1,904,547	1,849,740	1,925,658	1,868,490	1,934,927	1,941,065	1,877,940	1,948,350	1,889,940	1,956,937	22,711,560	3,613,966
2008	1,959,665	1,790,208	1,987,906	1,943,310	2,015,186	1,952,790	2,032,980	2,038,436	1,974,720	2,048,294	1,990,860	2,071,947	23,806,302	3,749,873
2009	2,085,091	1,893,444	2,098,824	2,055,570	2,144,394	2,091,150	2,172,108	2,183,702	2,120,850	2,193,157	2,131,890	2,200,845	25,371,025	3,978,535
2010	2,195,017	1,989,764	2,216,128	2,159,370	2,231,566	2,166,900	2,245,733	2,238,138	2,169,090	2,231,194	2,156,820	2,231,194	26,230,914	4,184,781
2011	2,230,946	2,022,692												4,253,638
Avg	2,003,123	1,816,828	1,979,712	1,930,390	2,002,595	1,943,780	2,015,992	2,020,869	1,953,965	2,023,535	1,960,780	2,031,559	23,610,847	3,819,951

Demand

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	996,004	1,021,913	1,220,147	1,176,673	1,152,184	1,199,263	1,272,583	1,191,787	1,309,822	1,333,375	1,128,599	962,158	13,964,508	2,017,917
2006	1,038,061	1,073,220	1,256,522	1,193,110	1,183,272	1,260,311	1,245,006	1,150,444	1,066,329	1,163,086	1,030,915	895,999	13,556,275	2,111,281
2007	1,008,025	1,062,200	1,265,803	1,185,811	1,203,601	1,274,113	1,262,451	1,203,257	1,098,526	1,206,524	1,034,202	893,854	13,698,367	2,070,225
2008	994,816	1,059,062	1,234,357	1,209,329	1,167,060	1,239,268	1,286,131	1,160,446	1,099,537	1,160,292	961,474	855,062	13,426,834	2,053,878
2009	902,308	1,004,550	1,141,784	1,135,862	1,104,753	1,208,523	1,221,207	1,070,145	996,793	1,123,409	965,232	901,535	12,776,101	1,906,858
2010	972,918	1,067,579	1,243,800	1,217,831	1,275,868	1,373,681	1,401,649	1,236,560	1,180,400	1,268,000	1,063,993	956,018	14,258,297	2,040,497
2011	1,003,537	1,104,277												2,107,814
Avg	987,953	1,056,114	1,227,069	1,186,436	1,181,123	1,259,193	1,281,505	1,168,773	1,125,235	1,209,114	1,030,736	910,771	13,613,397	2,044,067

Revenue ($)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Feb YTD
2005	58,984,540	62,175,063	75,572,086	76,518,407	73,470,956	77,622,428	83,684,017	76,440,414	88,676,733	90,998,619	73,811,700	60,671,253	898,626,216	121,159,603
2006	66,819,176	72,029,433	84,563,850	83,138,961	81,010,057	87,611,441	86,353,744	78,187,327	72,576,306	84,401,036	69,870,972	57,820,549	924,382,852	138,848,609
2007	68,428,812	74,939,497	89,945,508	88,512,619	87,443,182	94,310,530	94,910,899	88,214,629	80,377,851	93,323,941	75,049,269	61,451,132	996,907,869	143,368,309
2008	72,008,956	77,186,509	91,767,354	94,428,339	88,262,462	96,604,908	102,981,885	91,448,570	86,029,438	91,204,202	69,919,467	59,096,904	1,020,938,994	149,195,465
2009	63,609,205	72,598,892	82,222,897	84,581,594	79,746,553	89,423,400	89,446,338	76,743,696	71,189,768	83,370,392	67,099,558	58,270,099	918,302,392	136,208,097
2010	64,594,673	73,051,713	85,719,557	88,149,404	91,366,195	100,156,394	101,889,594	88,559,979	85,348,431	95,376,201	75,435,982	62,620,353	1,012,268,476	137,646,386
2011	68,767,716	76,279,728												145,047,444

Avg	66,173,297	72,608,691	84,965,209	85,888,221	83,549,901	90,954,850	93,211,080	83,265,769	80,699,755	89,779,065	71,864,491	59,988,382	961,904,467	138,781,988

December 2013

JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

JOHNSON COUNTY TOURISM ASSETS

JOHNSON COUNTY TOURISM ASSETS

ATTRACTIONS

Kelsay Dairy Farm
Appleworks + 2 other orchards/farms
Whiteland Raceway Park
Franklin Memorial Swimming Pool
Rascal's Fun Zone
Bouncertown
Oaken Barrel Winery
Mallow Run Winery
Vino Villa
Johnson County Museum of History
Camp Atterbury Museum
POW Chapel
Veteran's Memorial
Historic Artcraft Theatre
Franklin Cultural Arts and Recreational Center
Planetary Brewing Co.
Southern Bowl
Franklin Farmers Market

ARTS

Southside Art League
Art along Polk Trail
Madison Village-crafts, antiques, arts
Johnson County Fairgrounds - County Fair, Art & Vintage Market

OUTDOOR ACTIVITIES

Blues Canoes Livery
Camp Atterbury Fish and Wildlife Area
Johnson County Park Campgrounds
Johnson County Park Wildflower Prairie
Blue Heron Wetlands
Greenwood Farmers Market
Franklin Farmers Market

GOLF COURSES

Bluff Creek GC
Smock Golf Course
Cypress GC
Deer Valley GC
Hickory Stick GC
Hillview Country Club
IGA/PGA Hall of Fame
Indian Springs GC
Legends of Indiana GC
Orchard Golf Center
Otte Golf Center
Royal Oak Country Club
Valle Vista GC
Walnut Ridge GC

SHOPPING

Greenwood Park Mall
Greenwood Old Town-Madison Village
State Road 135 Corridor
Historic Downtown Franklin
Historic Downtown Edinburgh
14 antique shops
14 specialty shops

LODGING

16 hotels in Franklin and Greenwood
5 Bed and Breakfast Inns

RESTAURANTS

More than 100 sit down eateries (not including fast food restaurants)

FESTIVALS AND ENTERTAINMENT

GREENWOOD

Greenwood Amphitheater
Taste of the Southside
Freedom Festival
Greenwood Parks Summer Concert Series
WAMM Fest
Halloween Costume Party
Greenwood Community Band

FRANKLIN

Franklin Multicultural Festival
Franklin Fall Festival
Costume Swap
Pumpkins in the Park
Trick Your Trunk
Woodcarving Magic Show and Sale
Christmas Open House
Christmas Open House
Breakfast with Santa
Kickapoo Kids Camp
Annual Festival at Masonic Home
Rhoades Hog Roast

EDINBURGH

Fall Festival
Halloween Festival
Easter Egg Hunt
Firecracker Festival
Farmers Market
Flea Market
July 4 fireworks
Lions Club Fall Festival
Fall Festival Parade
Holiday of Lights

EVENT VENUES

Valle Vista
Winchester Place
Beeson Hall
Dyes's Walk
Artcraft Theater

AVIATION

Greenwood Executive Airport
Franklin Airport (skydiving services)

PARKS

JOHNSON COUNTY

Independence Park
Johnson County Park and Hoosier Horse Park
Johnson County Park Facilities at Camp Atterbury
Laura Hare Preserve Blossom Hollow

BARGERSVILLE

Town Park, Bargersville
Beulah Witt Park, Bargersville

EDINBURGH

Aquatic Center
Irwin Park
Prosser Park
Sports Complex
Water Tower Park

FRANKLIN

Blue Heron Park and Wetland
Branigin Woods Park
Community Park
Cultural Arts and Recreation Center
Depot Park
Franklin Memorial Swimming Pool
Jack and Elisinore Morgan Park
Palmer Park and Community Center
Payne Park
Province Park
Robert C. Schmidt Memorial Park
Scott Park
Temple Park
Wonder Five Center

GREENWOOD

Craig Park
Westside Park
Northeast Park
Northwest Park
Northwest Park Annex
Summerfield Park
Old City Park
Pool Park
Woodman Park
Surina Square Park/Community Center
University Park
Trails Park
Children's Garden Park
Freedom Park
Whiteland/New Whiteland
Country Gate Park
East Park
Tot Park
Tracy Commons Park
West Park
Proctor Memorial Park

December 2013

JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

INDIANA TOURISM STUDY

Conducted by Ball State University Center for Business and Economic Research.

BALL STATE UNIVERSITY
CENTER FOR BUSINESS AND ECONOMIC RESEARCH

TOURISM-RELATED COMMERCE IN INDIANA:
THE INNKEEPER'S TAX, INDUSTRY STRUCTURE AND IMPACTS

INTRODUCTION

Public investment in tourism-related economic development and promotion has a long pedigree, dating at least to the 18th Century trips to Bath, England. In recent years, a trend towards targeted expenditure of tourism-related taxes has taken place. In at least 47 U.S. states, this results in the direction of all or part of hotel and motel taxes towards promotion and advertising of regional tourism. Not surprisingly, evaluating the efficacy of these expenditures has become and important question for policymakers. The nexus of this question is the role tourism-related taxes and expenditures play in dissuading or promoting tourism-related commerce in a region. Informing this analysis is an understanding of the size of tourism-related commerce, and its forward and backward linkages in the state's economy.

This paper specifically addresses the role Indiana's hotel and motel taxes, and expenditures on tourism-related promotion and advertising play on tourism-related commercial economic activity in the region. We also attempt to explain the role trade linkages play in cementing tourism-related expenditure in the regions' economy. To accomplish these tasks we exploit a unique data series on tourism-related expenditures at the county level, and match this to the innkeeper's tax in each of Indiana's 92 counties. We employ an instrumental variable approach to correct for the endogenous nature of tourism taxation and expenditures. That, along with the presence of significant divergence of hotel motel tax revenue offers a robust analysis at very detailed industry levels.

We begin by explaining the backward and forward linkages of the tourism trade in Indiana, focusing on the hotel and motel sectors of the economy. We then review academic studies of the innkeeper's tax and follow this by a discussion of the data and our model. We then present results and extensions of our findings to a more detailed picture of tourism in Indiana. This is followed by conclusions and policy recommendations.

"The [hotel] industry in Indiana produces over $1.4 billion in revenue with a value-added of over $830 million annually."

FORWARD AND BACKWARD LINKAGES IN INDIANA'S HOTEL INDUSTRY

The hotel industry in Indiana consists of two disaggregated economic sectors. The first includes larger facilities such as traditional hotels and motels and includes casino hotels. The second includes other accommodations such as bed & breakfast inns, RV parks and recreational camps, rooming and boarding houses. The industry in Indiana produces over $1.4 billion in revenue with a value added of over $830 million annually. Figure 1 (and Appendix 1) displays data on the industry, for each county, including the amount of revenue, the share consumed by residents of the county, employment and value added as well as their own county share.

The size of the industry is an important gauge of its regional contribution. However, economists have long reported industry 'multipliers' as a measure an industry's overall contribution to a regions economy through the flow of revenues locally. Table 2 displays a comprehensive multiplier table for this industry in Indiana.

Understanding the multiplier effect is quite simple. An output multiplier of an industry is the sum of direct, indirect, and induced effects of that industry. A one dollar increase in demand on output (goods and services) of an industry is considered the "Direct Effects." A portion of that one dollar increase in output is used by the industry to create a new round of demand for output from other industries. This new round of demand is termed the "Indirect Effects." Finally, the combined direct and indirect effects of that one dollar increase in the new demand also results in increases household incomes. As a result, spending by households on goods and services also increases due to increases in production. This household spending increase is known as the "Induced Effects." The same definition applies to the employment and value-added multipliers. Multipliers are then used to describe the "total" effect of a dollar spent on an activity within a region. This is also a method of appreciating the size and scope of backward linkages of this industry within a region.

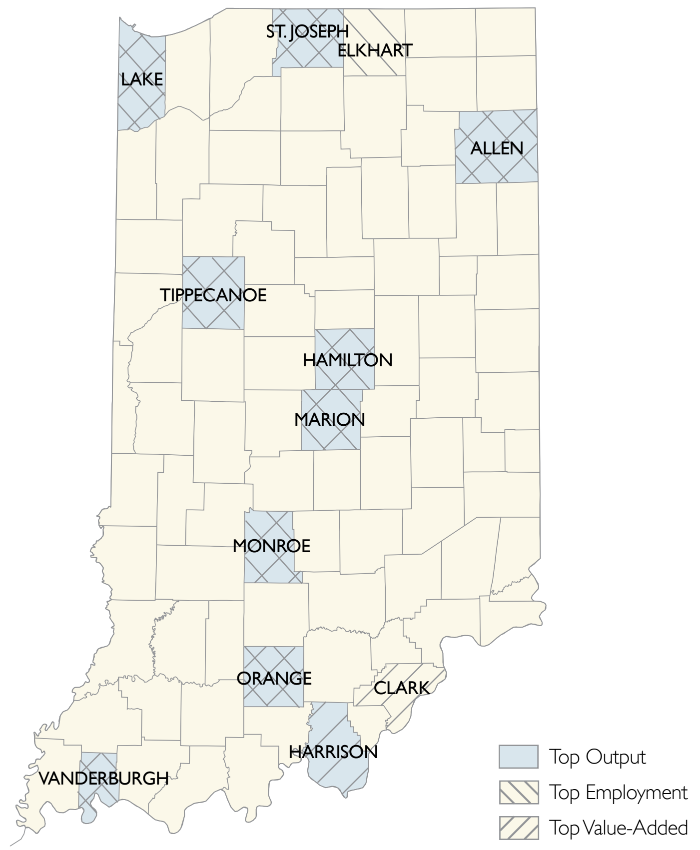
Another way of examining the structure of an industry within a region is to estimate the amount of local goods and services that are consumed by an industry in the normal course of production. Table 3 reports the amount of selected Hoosier commodities consumed by the hotel industry in the most recent year for which data is available (2006). In that year, roughly $1.412 billion in total revenues were spent on the hotel industry in the state. This table reports selected industries and focuses on the dollar amount purchased by the hotel industry from Hoosier businesses, and their share of total expenses. We also compare the import share (and by imports we mean non-Indiana firms).

Table 4 reports the total payment to, and share of revenues by major input class. For example, of the $1.4 billion spent on hotels in Indiana, roughly $431 million went to employee compensation, which totaled over 30.5 percent of the expenditures. Income to owners amounted to just 2.78 percent, while property income (rents, for example) totaled 17.3 percent and total taxes comprised 8.3 percent. Note that the total payment to these factors of production were just 59.05 percent of total revenues. The remaining 40.1 percent are essentially 'pass through expenditures' on such things as bedding, food, furniture, electricity and construction materials.

Table 5 accounts for the expenditures of the industry where hotels were consumed as an input to another industry and in final demand. This is a full accounting of expenditures on the industry to include some geographic data on the location of expenditures. Some elements of this table require additional explanation. While much is self explanatory, such as sales of hotel services to the Federal government, domestic export and foreign export of hotel services is badly measured in these data and does not reflect the origin of visitors, but rather the origin of some of the industries contracting for hotel services.

Finally, a flowchart of an industry's inputs and outputs from an input-output table could help us understand more about the structure of that industry. The industry structure at the county level could be similar or different from that of the state and the nation. Information of inputs from the flowchart helps to review the range of opportunities to supplant imported inputs, which can provide a region with highly-targeted economic development opportunities. Flowchart 1 illustrates the inputs used for the services production of hotel industry in Indiana, and the services outputs that it made in 2006. The source of data is from IMPLAN's sector 479: Hotels and motels, including casino hotels, and sector 480: Other accommodations such as bed & breakfast inns, RV parks and recreational camps, rooming and boarding houses.

FIGURE 1: TOP TEN COUNTIES FOR HOTEL INDUSTRY OUTPUT, EMPLOYMENT AND VALUE-ADDED*



* Data for all 92 counties in Indiana and totals for Indiana and the US are listed in Appendix 1.

TABLE 2: INDIANA HOTEL SECTORS' MULTIPLIERS

	Hotels and Motels, Including Casino Hotels		Other Accommodations	
Type SAM Multipliers*		Ranked*		Ranked*
Output Multiplier	1.657	216	1.834	48
Employment Multiplier	1.351	425	1.570	385
Total Value-Added Multiplier	1.582	392	2.309	98
Labor Income Multiplier	1.570	351	2.264	81
Other Property Type Income Multiplier	1.717	296	2.300	199
Indirect Business Taxes Multiplier	1.364	428	2.652	380

* The SAM matrix, or social accounting matrix, includes all types of expenditures within a region's economy. It is the most frequently reported multiplier type.

Flowchart 1 illustrates that the total industry output of the hotel industry in Indiana in 2006 was $1.413 billion. The industry employed 22,406 people (full-time and part-time) in 2006. Out of $1.413 billion in the hotel industry's output, $578.6 million was used to buy inputs for their operations, i.e. intermediate inputs or commodity demands. The remaining $834.3 million went to labor and capital costs and indirect business taxes, i.e. the industry's value added which breaks down into employee compensation, proprietary income, property income, and indirect business taxes. The detailed figures are presented in the left side of the flow chart. As much as $229.5 million or 40 percent of Indiana's hotel industry's gross inputs in 2006 were purchased out of the state (domestic and foreign imports). The industry spent $349.1 million buying their inputs locally in 2006. This reflects the very high import dependency of the hotel industry in Indiana.

TABLE 3: INPUT AND OUTPUT SHARES OF INDIANA HOTEL INDUSTRY, 2006

Intermediate Inputs		Indiana Inputs ($ Million)	Coefficient (Share) (%)	Imported Inputs ($ Million)	Coefficient (Share) (%)
1-10	Crop Production	0.00	0.00	0.02	0.00
11-13	Animal Production	0.00	0.00	0.00	0.00
14-18	Forestry, Logging, Fishing, Hunting, Trapping, and Support Activities for Agriculture and Forestry	–	–	–	–
19-29	Mining	0.01	0.00	0.00	0.00
30-32	Utilities	28.59	2.02	6.74	0.48
33-45	Construction	22.67	1.60		-
46-91	Food, Beverage and Tobacco Product Manufacturing	1.20	0.09	0.94	0.07
92-111	Textile, Apparel, Leather and Allied Product Manufacturing	2.53	0.18	3.80	0.27
112-123	Wood Product Manufacturing	3.38	0.24	2.35	0.17
124-135	Paper Manufacturing	0.11	0.01	3.51	0.25
136-141	Printing and Related Support Activities	2.19	0.15	1.97	0.14
142-146	Petroleum and Coal Products Manufacturing	2.47	0.17	0.14	0.01
147-171	Chemical Manufacturing	4.24	0.30	2.68	0.19
172-181	Plastics and Rubber Products Manufacturing	8.86	0.63	1.89	0.13
182-202	Nonmetallic Mineral Product Manufacturing	1.54	0.11	3.98	0.28
203-223	Primary Metal Manufacturing	0.09	0.01	0.31	0.02
224-256	Fabricated Metal Product Manufacturing	0.94	0.07	5.86	0.41
257-301	Machinery Manufacturing	0.07	0.00	1.10	0.08
302-324	Computer and Electronic Product Manufacturing	0.41	0.03	0.85	0.06
325-343	Electrical Equipment, Appliance, and Component Manufacturing	0.25	0.02	1.87	0.13
344-361	Transportation Equipment Manufacturing	0.26	0.02	1.49	0.11
362-373	Furniture and Related Product Manufacturing	1.14	0.08	0.27	0.02
374-389	Miscellaneous Manufacturing	0.48	0.03	2.24	0.16
390	Wholesale Trade	6.53	0.46	3.09	0.22
391-400	Transportation and Warehousing	15.57	1.10	8.64	0.61
401-412	Retail Trade	8.49	0.60	1.05	0.07
413-424	Information	19.30	1.37	29.16	2.06
425-430	Finance and Insurance	19.66	1.39	17.33	1.23
431-436	Real Estate and Rental And Leasing	58.54	4.14	30.63	2.17
437-450	Professional, Scientific, and Technical Services	32.21	2.28	33.76	2.39
451	Management of Companies and Enterprises	17.52	1.24	16.51	1.17
452-460	Administrative and Support and Waste Management and Remediation Services	47.53	3.36	33.82	2.39
461-463	Educational Services	0.28	0.02	0.09	0.01
464-470	Health Care and Social Assistance	-	-	-	-
471-478	Arts, Entertainment, and Recreation	1.36	0.10	1.23	0.09
479-480	Accommodation	2.31	0.16	3.37	0.24
481	Food Services and Drinking Places	4.80	0.34	0.62	0.04
482-494	Other Services (Except Public Administration)	14.52	1.03	3.88	0.27
495-499, 503-506	Public Administration	16.43	1.16	4.26	0.30
500-502, 507-509	Others				
	Total	***346.49***	***24.52***	***229.46***	***16.24***

Where the output or services of the hotel industry from Indiana went in 2006 is shown on the right side of the flow chart. $691.3 million of the output or services from the hotel industry went to other industries in Indiana as intermediate inputs, i.e. industries that buy a lot of accommodation services. The remaining $721.6 million was consumed by what is called final demand, which is comprised of households, the governments, inventory and investment, domestic exports, and foreign exports. Out of $721.6 million of the final demand on the hotel industry's output or services, households in Indiana's demand is estimated at $598 million. $80 million of Indiana hotel services was bought by the state and local governments. $1.5 million went to the hotel industry's capital formation. $41.3 million of hotel services was bought by households or businesses in other states in the United States. Only $0.02 million of hotel services in Indiana was bought by foreigners. Note that the inputs on the left side must balance with the output on the right side.

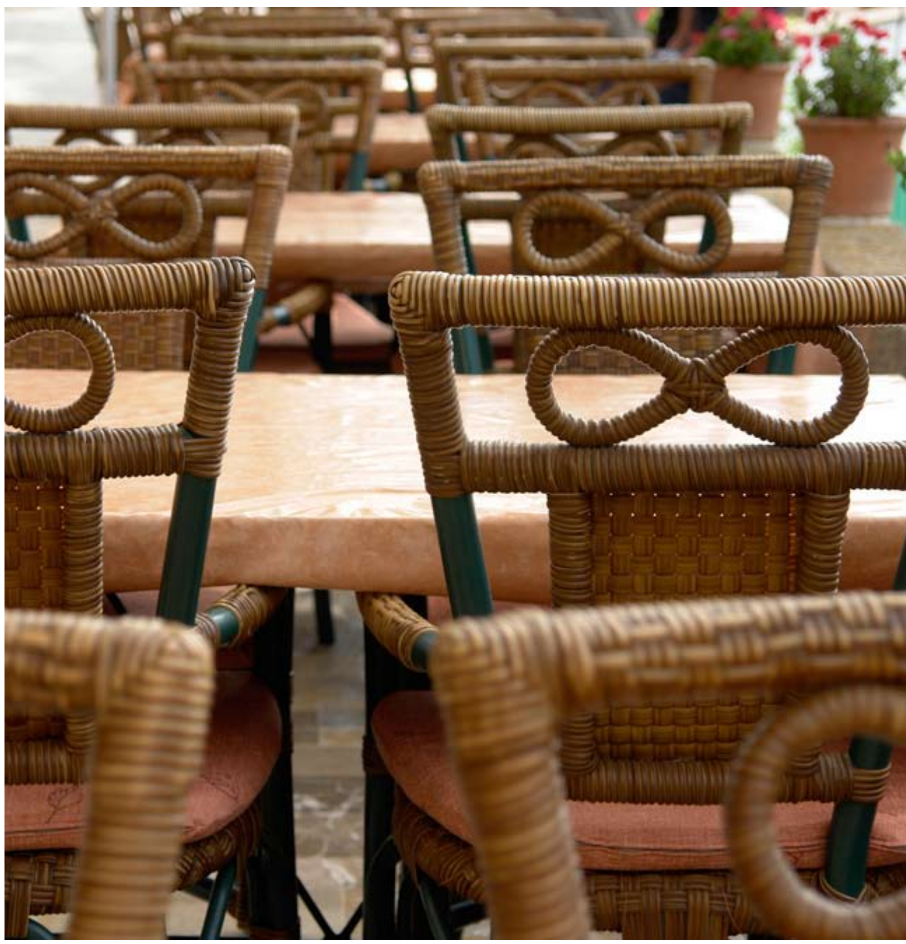
Clearly the size and scope of the hotel industry in Indiana warrants additional consideration and study. We next turn our attention to the impact of taxes and tourism promotion on the industry in the state.

TABLE 4: FACTOR BENEFITS AND REGIONAL SHARES

Factor Inputs	Indiana Inputs	Coefficient (Share)
Employee Compensation	431.93	30.57
Proprietary Income	39.27	2.78
Other Property Income	244.84	17.33
Indirect Business Taxes	118.21	8.37
Total	*834.25*	*59.05*

TABLE 5: AGGREGATE INTERMEDIATE INPUTS OF THE HOTEL INDUSTRY

Outputs	Indiana Inputs	Coefficient (Share)
Sales to State Hotel Industry Itself	2.31	0.16
Intermediate Input Sales to Other Sectors in State	688.96	48.76
Sales to State Households	598.02	42.33
Sales to Federal Government	0.70	0.005
Sales to Sate and Local Governments	80.08	5.67
Capital	1.48	0.10
Inventory	–	–
Domestic Export (sales to customers from other states in the US)	41.27	2.92
Foreign Export (sales to customers from outside the US)	0.02	0.00
Total	*1,412.83*	*100.00*



STUDIES OF HOTEL/MOTEL TAXES AND TOURISM PROMOTION

This study is the first to combine tourism promotion (expenditures) to the tax revenue collections and rate as part of a joint analysis of tourism-related economic activity. However, a number of studies have examined parts of the issue. Before discussing, that, it is important to outline literature we will not review. There is an abundance of non-econometric studies of convention and visitor bureaus. Many of these studies employ visitation data as either an part of an input-output model (e.g IMPLAN, or RIMS II) to assess economic impact, or calculate a rate of return on CVB expenditures. These studies are very useful in explaining the local consequences of tourism. They are also a far more extensive effort to evaluate the use of public investments (e.g. expenditures on CVBs) than is common in the public sector. Nevertheless, none of these studies that we have observed attempt to measure causation as we shall. For that reason we leave a number of studies of CVBs and tourism unreviewed.

Perhaps the most common issue in the scholarly literature are assessments of the responsiveness of tourism to hotel taxes. This literature has enjoyed near unanimity in finding a small influence of hotel taxes on tourism. Combs and Elledge [1979] employed a multi equation modeling approach to test consumer expenditures on tourism-related activities. They tested this model on data from 1972 and 1973 in the United States. Their study examined income groups, and found that demand for hotel occupancy was nearly inelastic, so taxes were fully passed on to the consumer. This study also noted the potential for border problem when tax rates on occupancy differed across jurisdictions.

Fujii, Haled and Mak [1992] examined the tax exporting hypothesis of hotel taxes. Examining data on Hawaii in the 1980s

TABLE 6: SUMMARY STATISTICS

	Mean	Median	Maximum	Minimum	Std. Dev.
CVB Budget ($2006)	$341,435	$78,013	$10,920,044	$0	$1,047,035
Hotel Tax Rate	2.6%	3.0%	8.0%	0.0%	2.5%
Mean Adjacent Hotel Tax Rate	2.8%	2.8%	7.5%	0.0%	1.3%
Share of Hotel Tax Rec'b by CVB	46.6%	15.0%	100.0%	0.0%	48.2%
Years Since CVB Opened	9.3	6.5	83.0	0.0	12.1
Earnings (thousands of 2006 dollars)					
Accommodations	11,760	1,621	169,719	0	34,751
Museum and Historical Attractions	1,994	0	37,346	0	7,093
Food Service	66,821	14,524	744,136	346	14,5165
Amusements and Gambling	7,567	1,731	73,666	0	15,605
Arts and Recreation	19,501	183	415,383	0	81,064
General Merchandise	22,308	9,879	248,570	100	36,053

they found that most of the taxes (more than 2/3) was exported, so that the incidence fell primarily on out of state visitors. They did find a modest negative impact on tourism expenditure due to taxes, and followed this with an explicit policy recommendation for 'ear-marking' a part of the proceeds for tourism promotion. Bonham, Fujii and Mak [1992] test the impact of a new hotel tax on hotel revenues using an empirical model which captures the incremental, effect of the imposition of a tax on hotel revenues when correcting for other tourism-related features. They found no meaningful reduction in hotel revenues attributable to hotel taxes in Hawaii during the 1980s. Bonham and Ganges [1996] perform a similar test in Hawaii using cointegation equation. They found no statistically meaningful impact of hotel taxes on hotel room revenues.[1] These studies represent all the recent analysis of hotel taxes, and enjoy a common finding, that the elasticity of tourism revenues to hotel taxes is essentially inelastic within the observed range.

A number of marketing studies of tourism have been performed. The sole study that effectively measures CVB performance is (Wober and Fesenmiaer, 2004) employed a data envelope analysis (DEA) of ten different market characteristics in Wisconsin. This study included CVB expenditures. The DEA approach allows for performance comparisons of different approaches, when controlling for variation that cannot be controlled by the CVB. It cannot however, determine optimality, only relative performance. Interestingly, this study examined Indiana, and found that as a state, its tourism promotion ranked wit the very best (one of 15 to receive a 100% benchmark score). No remaining studies provide this type of analytical approach to CVB spending and tourism.

A number of studies have estimated advertising elasticity to evaluate the return on advertising (both domestic and international) on tourism-related activities. These studies include both public and private investing. Crouch, Schultz and Valerio [1992] reports returns of 9:1 in the United States, while Access Economics [2002] reported ranges of returns from 11:1 to 16:1 on publicly financed tourism advertising. Kulendran and Divisekera (2006) find the impact for international travel to New Zealand's of 8:1.

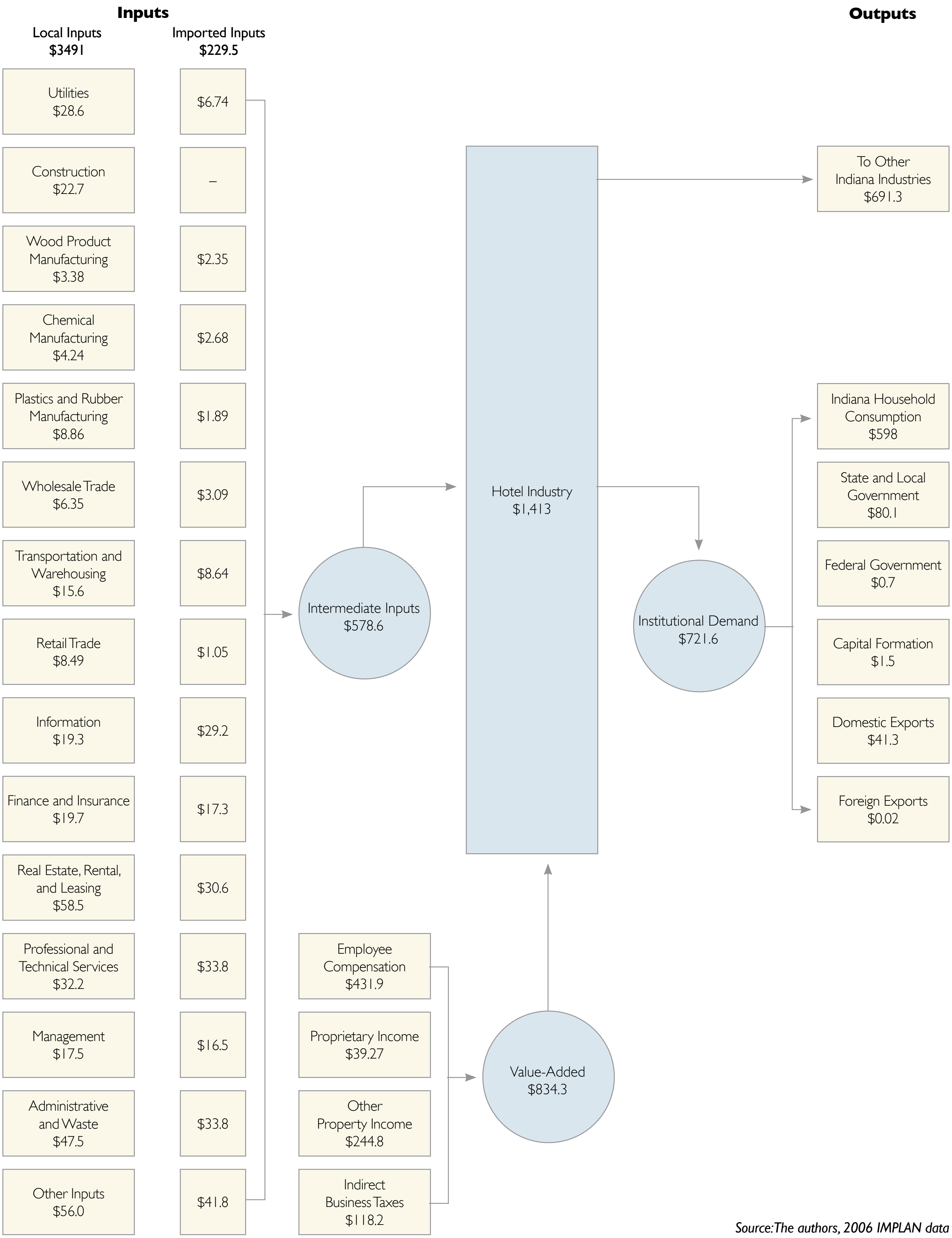
The literature does provide us with some Bayesian inference for our modeling effort. We would expect a very small negative influence (perhaps zero) of Indiana's Innkeeper's Tax on tourism-related economic activity. The effect on tourism from taxes in adjacent counties would be the opposite. We would also expect that promotional activities would be positively correlated with tourism expenditures, and that the magnitudes would be similar to other estimates. We now turn our attention to the empirics.

OUR MODEL AND DATA

Our interest lies in testing the relationship between tourism taxes and expenditures and tourism-related economic activity at the county level. The data we use comes from three sources. Data on convention and visitor bureau expenditures was obtained from the Association of Indiana Convention and Visitor Bureaus (AICVB). This data was available from 2001 through 2006. Data on tax collections and rates for the Indiana Innkeeper's Tax was obtained for each of Indiana's 92 counties from the Department of Local Government Finance.[2] Data on industry earnings was obtained through the Bureau of Economic Analysis' Regional Economic Information System. The AICVB also provided data on the opening dates of each CVB in Indiana.[3] Summary statistics appear in Table 6.

An initial approach to modeling the incremental effect of taxes and expenditures is to construct a time series, cross sectional model of each industry using tax rates and expenditures as primary explanatory variables. However, the real concern in this approach is the presence of endogeneity bias. Simply, without a hotel tax there is no instance of tourism-related expenditures. Failure to account for this would immediately raise the specter of this bias, and render our results suspect.

CHART 1: INPUT-OUTPUT OF HOTEL INDUSTRY IN INDIANA, 2006 ($ MILLIONS)



Source: The authors, 2006 IMPLAN data

Fortunately, we have three mechanisms to control this bias. First, for counties with a hotel tax, much is diverted to non-tourism-related uses. This provides some heterogeneous variation in the data, which is bias reducing. Second, we can test counterfactuals. This is an approach often used to examine the choice of instrumental variable approach (see Basker, 2007). And finally, we will employ the traditional instrumental variable approach.

The source of the endogeneity bias, is that the presence of CVBs and the advertising and development of tourism they undertake is the result of a naturally occurring tourism-related amenity in a region. Thus, CVBs are 'caused' by existing tourism and funded by hotel taxes. In order to construct an instrument to identify the relationship, it is necessary to find a variable this is simultaneously correlated with the presence of the dependent variable, but not the economic variable in question.[4] This is one of the more difficult estimation problems, but there is unfortunately no simple way to perform an identification procedure common to all estimation problems. Fortunately for us, the age of the CVB is a factor that describes the importance of tourism (and hence the magnitude of the tourism-related economic activity), but not correlated with the actual presence of a CVB (a dichotomous variable) or hotel taxes.

"...the age of the CVB is a factor that describes the importance of tourism (and hence the magnitude of the tourism-related economic activity), but not correlated with the actual presence of a CVB or hotel taxes."

Given the presence of a potential instrumental variable approach, we construct the basic relationship between industry specific economic activity and CVB presence and hotel taxes. The specification is:

$$Y_{i,t}=\beta_1 CVB_{i,t}+\beta_2 HOTELTAX_{i,t} +\beta_2 \tilde{W}HOTELTAX_{j,t}+e_{i,t}$$

(1) Where *Y* in county *i*, year *t* are the inflation adjusted earnings in tourism-related commerce (e.g. food service, accommodations, etc.) The variable *CVB* are the annual budget for convention and visitor bureaus in each county. *HOTELTAX* is the rate of the hotel tax (set locally) in county *t*, in year *t*. The next variable is the weighted average of the hotel tax rate in the adjacent counties *j*, to county *i*, in year *t*. While $\tilde{W}$ is the row normalized first order contiguity matrix which weights this variable. The parameter estimates are the estimated *ß* values, and *e* is the error term which we assume enjoys the white noise characteristics. The identifying equation is specified as:

$$\hat{Y}_{i,t}=\beta_1 CVBYears_{i,t}+\beta_2 (CVBYears_{i,t})^2+\beta_2 T+e_{i,t}$$

(2) where the estimated endogenous variable $\hat{Y}$ is a function of the age and squared age of the CVB, and a time trend and white noise error term. We subjected this instrument to a weak instrument test suggest by Stock and Yogo [2002] finding that in each case, the instrument met the critical Wald values for a strong instrument. We then tested these models on the existing data. Results appear in Table 7.

These results require both specific interpretation and a broad explanation. First, CVB expenditures (which are primarily advertising and development) affect revenues in each of the categories of tourism-related economic activity we model. Perhaps more importantly, the magnitude of the impact is closely aligned with the relative anticipated impact between different activities. For example, $1 in CVB expenditures, raises arts and recreation incomes by roughly $38, $16 for accommodations and only $5 in amusement and gambling earnings. Food service experiences an increase of $65 while general merchandise stores see earning increases of $23. Museum and historical attractions see only a $3 impact from each dollar of CVB advertising. These impacts can be aggregated which yields $151 of additional revenue from each dollar of public advertising. These appear excessive, but it is important to understand that the advertising and development performed by the CVB is public expenditures, and our estimate does not include private expenditures. In order to better understand this, we apply some estimates of advertising, and tax rates. In Indiana, the total local and state tax burden in 2003 (the median year of

TABLE 7: ESTIMATION RESULTS*

	Arts and Recreation	Accommodations	Amusements and Gambling	Food Service	General Merchandise Stores	Museums and Historical Attractions
CVB	0.038564*** (44.36)	0.016383*** (117.55)	0.005341*** (4.82)	0.065596*** (61.63)	0.023793*** (381.14)	0.003357*** (42.32)
HOTELTAX	-420871*** (-13.42)	-161719*** (-9.21)	407218 (1.60)	-218877*** (-6.78)	-2258 (-0.22)	-26293*** (-23.37)
HOTELTAX Adjacent	149883*** (5.15)	140651*** (21.40)	-128448 (-1.17)	582262.8*** (47.09)	442010*** (26.88)	6948*** (10.13)
Adjusted R-squared	0.98	0.93	0.18	0.83	0.71	0.96

* These data do not share a common unit root and we found no evidence of non-stationarity in these data, but remind the reader of the weakness of the tests in the absence of a long time series. We white-washed these data employed White's Heteroscedasticity Invariant, Variance-Covariance Matrix.
*** Significant: p<0.001

our study) was 10.1 percent. Applying our results roughly to tax receipts suggests, the return on tourism marketing is about 15:1. A more detailed application of tax incidence will be preserved for later work. Our experience on the matter suggests that the rough estimates is very close to the results a more detailed analysis would find. This is somewhat higher than other estimates. Crouch, Schultz and Valerio [1992] report returns of 9:1 in the United States. Kulendran and Divisekera (2006) report returns to advertising of 8:1 for international travel to New Zealand. Access Economics [2002] reported ranges of returns from 11:1 to 16:1 on publicly financed tourism advertising.[6]

Our estimates also provide evidence of the impact of hotel taxes on tourism-related activity. Clearly, we expect the relationship between taxes and tourism to be negative. We find that to be the case, but our estimates suggest a very small negative impact. In terms of pure statistical significance, the hotel tax rate affects incomes in accommodations, arts and recreation, food service and museum and historical attractions. Interestingly, it does not affect incomes in amusement and gambling activities or general merchandise stores. However, the magnitudes of the impacts are not sufficiently large to be of consequence to policymakers. A ten percent increase in the hotel tax would cause only a $1.05 million reduction in annual incomes in accommodations. All the remaining impacts are much smaller. All of these are below any reasonable policy threshold. This is a finding confirmed by all the existing research on hotel taxes (see Bonham and Ganges, 1996; Bonham, Fuji, Im and Mak, 1998; Fuji, Khaled, Mak, 1986; Combs and Elledge, 1981).

Further, we find that the weighted average of the hotel tax rate in the adjacent counties has the expected effect, in that it leads to higher incomes in own county tourism-related activities. However, as with the own county tax, the effect is below the policy threshold, and in fact, is much smaller than the small own county effect. This is a new finding in the literature, as we have not seen empirical evidence on the influence of hotel tax rates on tourism spatially in this type of setting.

In terms of model performance, we are heartened by the quality of the results. We also note that within the models in which we could a priori anticipate smaller potential influence of hotel taxation and marketing (e.g. on gambling activities) the overall model explained far less of the variation than it did in the models where impact was clearly expected (e.g. accommodations). We fell this is strong support for our findings.

Our final step is to perform counterfactual testing. We use an approach employed by Basker [2007] to evaluate alternative identification strategies for endogeneity in Wal-Mart's entrance decision. Her approach involves estimating the impact of an unrelated economic activity on the specific equation. We use the same approach, and tested in the impact of this model of CVB spending and hotel taxes on manufacturing earnings in Indiana's counties. We were able to soundly reject any impacts. This, along with our heterogeneity in the sample and identification strategy makes us confident we have identified causality in these tourism-related impacts.

SUMMARY OF TAX AND PROMOTIONS IMPACT ON TOURISM

In this study, we find that public expenditures in tourism result in higher levels of income in tourism-related activities at the county level. In our study of Indiana, we find that accom-

modations, arts and recreation, general merchandise sales, amusements and gambling, museums and historical attractions as well as general merchandise stores see higher levels of personal income attributable to spending on tourism advertising and promotion. Further, we see this impact concentrated in otherwise low advertising activities (e.g. in places other than amusement parks and gambling casinos, where extensive private sector advertising is the rule). Our estimates are reasonably close to other such studies. Further, we find that own county hotel tax rates reduce incomes in tourism-related activities, and all things being equal, the weighted average hotel tax in adjacent counties leads to higher incomes in tourism-related commerce in a county. However, like all previous studies, we find the size of the impact to be so small as to be effectively negligible.

CONCLUSIONS

Tourism and related trade in Indiana is a significant industry with extensive forward and backward linkages into almost every sector in the state. Hotel expenditures alone are more than $1.4 billion with almost 60 percent of that pure value added production by Indiana workers.

Indiana's communities support tourism through convention and visitor bureaus. These CVBs are financed primarily by the state's innkeeper's tax. In this report we examined the impact that innkeeper's tax, and the expenditures by the CVBs played in promoting tourism. Using a model that specifically accounts for the reverse causation problem of tourism taxes and tourism expenditures we found that a dollar spent on tourism promotion generates roughly 15 dollars in additional tax revenues for state and local governments.

NOTES

1. We are at a loss to understand why Hawaii has been singled out for analysis. Perhaps it is due to the high reliance, and heavily measured tourism in the state. However, we suspect, but cannot prove, that some of the authors may have selected this state for analysis in hopes of performing an on-site visit.

2. Indiana's Uniform County Innkeeper's Tax is described in IC 6-9-18.

3. The AICVB typically has all but two or three CVBs in the state as part of their membership. Data on these were also obtained by the CVB and are included in these data.

4. Formally, we identify the equation by constructing another equation (or instrument) which is correlated with the endogenous variable, but not the error term.

5. These studies also provide estimates of advertising elasticity. Since we do not have pricing data, we cannot effectively measure this. However, if the Dorfman-Steiner conditions hold, our elasticities are roughly 0.009, which are quite low relative to other studies.

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APPENDIX 1: HOTEL INDUSTRY OUTPUT, EMPLOYMENT AND VALUE-ADDED BY INDIANA COUNTIES

County	Hotel Industry Output ($ Million)	Share In Own County (%)	Hotel Industry Employ-ment (Workers)	Share in Own County (%)	Hotel Industry Value-Added ($ Million)	Share in Own County (%)
Adams	1.24	0.04	35	0.18	0.59	0.06
Allen	53.68	0.16	998	0.43	32.81	0.22
Bartholomew	24.20	0.24	486	0.93	14.16	0.37
Benton	–	–	–	–	–	–
Blackford	0.13	0.02	2	0.04	0.08	0.03
Boone	4.97	0.14	90	0.26	2.82	0.15
Brown	21.28	5.42	342	6.96	10.06	4.60
Carroll	1.10	0.11	15	0.18	0.33	0.08
Cass	4.05	0.17	73	0.41	2.28	0.24
Clark	23.53	0.34	409	0.73	14.28	0.42
Clay	2.96	0.24	54	0.47	1.37	0.28
Clinton	0.27	0.01	6	0.04	0.16	0.01
Crawford	0.07	0.03	1	0.03	0.04	0.03
Daviess	6.58	0.36	155	0.98	3.86	0.47
Dearborn	3.67	0.16	69	0.31	2.24	0.16
Decatur	3.69	0.16	70	0.46	2.22	0.25
De Kalb	5.69	0.14	118	0.49	3.29	0.20
Delaware	12.13	0.20	214	0.35	7.37	0.22
Dubois	7.86	0.17	169	0.49	4.69	0.21
Elkhart	24.03	0.10	494	0.33	13.65	0.15
Fayette	0.16	0.01	4	0.04	0.09	0.02
Floyd	9.38	0.22	169	0.45	5.76	0.26
Fountain	0.77	0.08	10	0.12	0.28	0.08
Franklin	0.43	0.08	8	0.12	0.26	0.09
Fulton	0.64	0.06	9	0.10	0.41	0.08
Gibson	5.85	0.07	91	0.47	3.59	0.21
Grant	5.11	0.12	117	0.35	3.02	0.14
Greene	0.25	0.02	3	0.02	0.16	0.03
Hamilton	55.16	0.28	889	0.54	34.25	0.30
Hancock	7.30	0.22	133	0.43	4.17	0.24
Harrison	24.68	1.69	314	2.38	14.28	2.01
Hendricks	13.69	0.22	251	0.41	8.38	0.23
Henry	3.51	0.17	81	0.45	2.05	0.21
Howard	12.75	0.14	235	0.48	7.80	0.20
Huntington	0.47	0.02	11	0.06	0.28	0.03
Jackson	11.48	0.29	216	0.74	5.25	0.33
Jasper	4.29	0.22	85	0.54	2.52	0.28
Jay	2.70	0.17	52	0.47	1.54	0.27
Jefferson	6.87	0.31	117	0.69	3.19	0.31
Jennings	5.81	0.51	63	0.61	3.71	0.66
Johnson	7.25	0.12	150	0.26	4.33	0.13
Knox	4.16	0.17	92	0.44	2.47	0.21
Kosciusko	15.32	0.23	227	0.52	7.52	0.25
Lagrange	9.17	0.42	140	0.83	4.37	0.48
Lake	85.88	0.18	1,125	0.47	52.71	0.30
La Porte	16.03	0.25	300	0.57	9.13	0.28
Lawrence	4.93	0.23	102	0.48	2.75	0.26

County	Hotel Industry Output ($ million)	Share in Own County (%)	Hotel Industry Employ-ment (Workers)	Share in Own County (%)	Hotel Industry Value-Added ($ million)	Share in Own County (%)
Madison	9.53	0.16	198	0.37	5.65	0.18
Marion	483.79	0.45	6,567	0.90	302.78	0.53
Marshall	5.52	0.16	122	0.51	3.18	0.24
Martin	0.04	0.01	1	0.02	0.02	0.01
Miami	3.36	0.17	61	0.43	1.35	0.16
Monroe	64.23	0.80	928	1.22	31.36	0.71
Montgomery	7.47	0.21	156	0.73	4.23	0.26
Morgan	1.81	0.06	39	0.20	1.08	0.09
Newton	2.09	0.29	32	0.41	1.07	0.32
Noble	2.53	0.07	59	0.25	1.48	0.10
Ohio	0.27	0.12	3	0.15	0.09	0.07
Orange	42.97	4.45	571	6.59	27.31	5.54
Owen	–	–	–	–	–	–
Parke	1.07	0.23	18	0.37	0.56	0.23
Perry	3.59	0.38	68	0.87	1.75	0.38
Pike	0.70	0.10	11	0.25	0.44	0.10
Porter	22.61	0.20	448	0.65	12.46	0.24
Posey	2.22	0.04	30	0.26	1.41	0.13
Pulaski	0.12	0.01	2	0.02	0.03	0.01
Putnam	16.48	1.05	253	1.55	7.35	0.92
Randolph	0.16	0.01	1	0.01	0.11	0.02
Ripley	5.09	0.29	80	0.50	2.17	0.22
Rush	0.24	0.03	5	0.06	0.15	0.04
St. Joseph	52.54	0.24	912	0.52	31.62	0.30
Scott	1.58	0.13	25	0.27	0.85	0.18
Shelby	3.04	0.11	59	0.27	1.76	0.14
Spencer	3.14	0.26	50	0.45	1.31	0.19
Starke	0.07	0.01	1	0.02	0.03	0.01
Steuben	11.53	0.54	194	1.02	5.26	0.56
Sullivan	0.07	0.01	1	0.02	0.03	0.01
Switzerland	17.11	8.75	189	8.54	11.06	8.74
Tippecanoe	45.82	0.28	822	0.86	24.12	0.37
Tipton	1.06	0.10	13	0.19	0.68	0.17
Union	0.18	0.06	2	0.07	0.08	0.05
Vanderburgh	42.39	0.24	775	0.60	25.93	0.29
Vermillion	0.79	0.07	11	0.17	0.36	0.07
Vigo	19.81	0.26	385	0.63	11.86	0.31
Wabash	3.52	0.14	86	0.47	2.00	0.21
Warren	–	–	–	–	–	–
Warrick	0.18	0.01	2	0.01	0.06	0.00
Washington	0.96	0.11	8	0.10	0.63	0.14
Wayne	9.72	0.20	227	0.55	5.57	0.25
Wells	0.12	0.01	6	0.05	0.05	0.01
White	4.35	0.34	72	0.65	2.32	0.38
Whitley	1.23	0.06	30	0.21	0.71	0.09
Indiana	***1,412.83***	***0.27***	***22,406***	***0.61***	***834.25***	***0.35***
USA	***171,818.07***	***0.69***	***1,954,508***	***1.12***	***108,724.17***	***0.82***

AUTHORS

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ABOUT THE CENTER FOR BUSINESS AND ECONOMIC RESEARCH

The Center for Business and Economic Research is a premier economic policy and forecasting research center housed within the Miller College of Business at Ball State University. The Center publishes the American Journal of Business—a peer-reviewed scholarly journal—and the Indiana Business Bulletin—a Web site with weekly commentary, analysis and data on economic, business and demographic trends in Indiana. Research in CBER encompasses health care, public finance, regional economics, transportation and energy sector studies. In addition to research, CBER hosts the Executive Economic Exchange in Indianapolis four times a year, and also serves as the forecasting element in the Muncie area—hosting five state and federal economic forecasting roundtables.

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JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

INDIANA DESTINATION MARKETING ORGANIZATIONAL AND FINANCIAL PROFILE STUDY

Destination Marketing Association International

Destination Marketing
Association International

2011 DMO Organizational & Financial Profile Study

INDIANA REPORT

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Guide to Using This Report

The ***2011 DMO Organizational & Financial Profile Study*** is published by Destination Marketing Association International (DMAI), which represents nearly 650 destination marketing organizations and 2,800 professionals in more than 30 countries. The mission of DMAI is to enhance the professionalism, effectiveness and image of destination management organizations worldwide.

DMAI is pleased to offer this special report which represents the responses of fourteen Indiana DMOs. This report is the result of collaboration between DMAI and the Association of Indiana Convention and Visitor Bureaus (AICVB).

DMAI thanks the destination marketing organizations representing the following Indiana destinations for participating in this study:

Cass County
Fort Wayne
Hamilton County
Harrison County
Hendricks County
Indianapolis
Kokomo/Howard County
Lafayette - West Lafayette
LaGrange County
Lawrence County
Madison Area
South Shore
Spencer County
Steuben County

The ***2011 DMO Organizational & Financial Profile Study*** is the most comprehensive report of its type produced for destination marketing organizations. The data were tabulated by Industry Insights Inc., of Columbus, Ohio, an independent survey research firm. Ruth Trojan of Nadler & Associates managed the study. A total of 195 DMOs responded to this year's online survey.

Note: The data in this report were collected from April to June 2011 and do not reflect any subsequent changes in DMO operations.

DMAI has produced this study for almost twenty years under different titles such as ***Bureau Funding & Expenditure Survey*** and ***CVB Financial Survey***. Over the years, the scope of the project has expanded to focus on DMO revenues and expenses, specifically personnel, sales and marketing, and functional area expenses.

The data have been reported in a manner consistent with the layout of the questionnaire. Each section of this report begins with an overview that includes charts highlighting key findings. That is followed by summarized data for each question in that section. Average figures are shown for all respondents as well as for six budget categories based on total revenue. The "Count" figure shown to the right of each line item indicates the number of respondents for each question. If certain figures appear out of line compared to other data within the same question, it may be a result of a low number of respondents.

In nearly every instance, average (mean) figures are used. In select cases, medians are used to eliminate the skewing of extreme responses and are so indicated. For example, the number of staff is expressed as a median because the response of a single DMO with an extraordinarily high number of staff would skew the average.

Ratio Definitions

While it is extremely important to analyze financial information in dollar figures, percentages and ratios must be used to compare the data with past performance or industry standards. For example, while monitoring annual payroll expenses is crucial, it is more important to compare those expenditures with the value they produce. Useful measures of payroll-expense effectiveness include personnel expenses per full-time equivalent employee, or payroll as a percentage of total expenditures. Such ratios can be useful in determining how efficiently a DMO uses its payroll dollars over time or compared with other DMOs in general.

A word of caution: ratios should not be used in isolation. In combination with the financial data, they can give an accurate overall picture of a DMO's financial performance and financial position. Financial performance refers to how well a DMO performs over a period of time (generally one year), and financial position refers to financial strength at a given point in time. Listed below and on the following page are definitions for some key ratios included in the report.

Ratio	Calculation*	Uses
COLLECTION PERCENTAGES		
Room Tax Collections & Usage (City, County, and State/Province)	Room Tax Category (Q3a, 3b, 3c, 3d, 3e or 3f) expressed as a percentage of Total Room Tax Collected and Allocated to the City, County, or State/Province	Illustrates the various allocations of the collected Room Tax.
Tourism Improvement District Assessment (TID)-Collections & Usage	Tourism Improvement District Category (Q4a, 4b, 4c, 4d, 4e, 4f, or 4g) expressed as a percent of the Total Assessment Collected	Reflects the various allocations of the collected Total Assessment.
Special Restaurant Tax-Collections & Use	Special Restaurant Tax Category (Q5a, 5b, 5c, 5d, 5e, or 5f) expressed as a percent of Total Special Restaurant Tax Collected	Reflects the various allocations of the collected Special Restaurant Tax.
Car Rental Tax-Collections & Use	Car Rental Tax Category (Q6a, 6b, 6c, 6d, 6e, 6f, or 6g) expressed as a percent of Total Car Rental Tax Collected	Reflects the various allocations of the collected Car Rental Tax at the destination's primary airport.
FUNDING RATIOS		
Funding per Full-Time Employee	Total Funding (Q21) ÷ Number of Full-Time Employees (Q10a)	A productivity measure. Measures a DMO's effectiveness of labor resources based on the amount of total funding.
Funding per Full-Time Equivalent Employee	Total Funding (Q21) ÷ Number of Full-Time Equivalent Employees (Q10a + Q10c)	Same as measure above, only compared with full-time equivalent employees, not just full-time.

*Q = Survey question number

Ratio	Calculation*	Uses
EXPENSE SECTION		
Line Item Expense Schedule & Program Expense Schedule	All of these items are expressed as percentages of total expenditures unless otherwise noted	
Personnel Costs per Full-Time Equivalent Employee	Total Personnel Costs (Q22) ÷ Number of Full-Time Equivalent Employees (Q10a + Q10c)	A productivity measure. Measures the DMO's effectiveness of labor resources based on the amount spent on labor expenses.
Expenditures per Full-Time Equivalent Employee	Total Line Item Expenses (Q25) ÷ Number of Full-Time Equivalent Employees (Q10a + Q10c)	An employee productivity measure that illustrates the effectiveness of labor resources for dollars spent.
Revenue per Full-Time Equivalent Employee	Total Gross Revenue (Q21) ÷ Number of Full-Time Equivalent Employees (Q10a + Q10c)	An employee productivity measure that monitors the effectiveness of labor resources for dollars received.

*Q = Survey question number

For those organizations requiring more comprehensive DMO organizational and financial data than contained in this Indiana DMO-specific report, the complete results of the *2011 DMO Organizational & Financial Profile Study* are available in several formats:

Online Searchable Results Program: This easy-to-use, online program allows the user to customize data summaries and detailed DMO group selections. Subscribers receive their own individual USERID and password to access the program. Available only to DMOs.

Full Report (available alone or complimentary with the Searchable Results): This report includes summary tables and analyses, and detailed DMO organizational and financial data. The information is summarized to the industry level (so you can compare your DMO to industry norms) as well as by DMO comparative categories (e.g., budget, type of DMO, number of employees). Available only to DMOs.

Consolidated Report: This report includes tables and analyses summarized at the industry level for those requiring a comprehensive overview of the DMO community. No individual DMO data is included.

Orders and /or questions about the results or DMAI's research program should be directed to research@destinationmarketing.org (t: +1.202.296.7888).

Industry Outlook

The global travel and tourism industry has begun to see solid recovery from the recession. Despite high unemployment levels in several regions and flattened consumer confidence, the release of pent-up demand has begun to take hold. Worldwide, travel spending is increasing and 2011 will see an erasure of the recessionary declines – year end is expected to register a 5% increase to US$3.8 trillion. Both domestic (in-country) and international travel volume will grow 5%.

In the US, travel will also see gains, albeit at more sustainable levels. Total visitor volume will grow 2% to 2.07 billion person-trips, matching pre-recessionary levels. International travel, a key market segment given its high visitor spending levels, will push forward with a 4% jump. Domestic travel overall will increase 2%.

US domestic business travel, particularly hard hit by the downturn, will post a very small increase -- 1% for 2011. Volume will still lag and is not expected to fully recover for the next several years. 2011 will see 453.2 million trips.

US domestic leisure travel, leading the recovery, will once again register gains, though at a slower pace of 2%. Volume for this segment will regain all lost ground, ending the year at an estimated 1.55 billion person-trips.

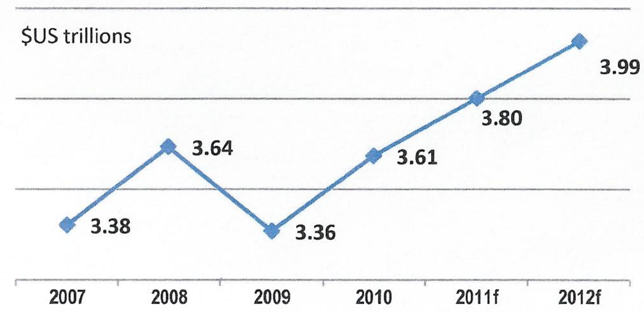
The increased volume in travel as well as rising travel prices will result in an 8% jump in US travel spending for the year, to $817.0 billion, a record level. Both domestic and international travel will contribute to this growth, up 7% and 10%, respectively.

The outlook for 2012 is positive with growth expected, but at much more sustainable levels:

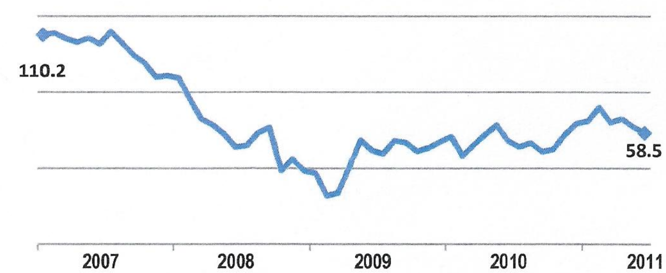
- Overall travel in the nation will again grow 2% to 2.11 billion person-trips, surpassing pre-recessionary levels.
- US visitor spending will rise 4% to $851.1 billion
- US domestic business travel will continue to inch upward, 1% for the year.
- US domestic leisure travel will increase 2%.

Sources: World Tourism Organization, World Travel & Tourism Council, Conference Board, US Travel Association

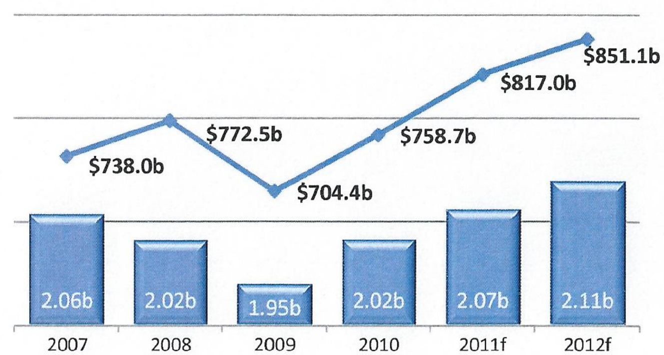
Global Visitor Spending



Consumer Confidence



US Visitor Volume and Spending



	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
DESTINATION PROFILE				
TOTAL TAXES AND ASSESSMENTS ON A HOTEL ROOM				
Total Hotel Taxes and Assessments (%)	191	12.55%	14	12.04%
Total Hotel Taxes and Assessments ($)	13	$1.61	0	$0.00
Room Tax -- City (%)	109	5.51%	0	0.00%
Room Tax -- City ($)	2	$1.50	0	$0.00
Room Tax -- County (%)	96	4.58%	14	5.25%
Room Tax -- County ($)	1	$1.00	0	$0.00
Room Tax -- State/Province (%)	53	4.53%	1	3.00%
Room Tax -- State/Province ($)	0	$0.00	0	$0.00
Room Tax -- National (%)	0	0.00%	0	0.00%
Room Tax -- National ($)	0	$0.00	0	$0.00
General Sales Tax -- City (%)	48	2.63%	1	7.00%
General Sales Tax -- City ($)	1	$0.01	0	$0.00
General Sales Tax -- County (%)	56	2.44%	1	7.00%
General Sales Tax -- County ($)	0	$0.00	0	$0.00
General Sales Tax -- State/Province (%)	127	5.72%	11	7.00%
General Sales Tax -- State/Province ($)	0	$0.00	0	$0.00
General Sales Tax -- National (%)	10	7.30%	0	0.00%
General Sales Tax -- National ($)	0	$0.00	0	$0.00
Other Tax (%)	21	2.04%	1	1.00%
Other Tax ($)	7	$1.76	0	$0.00
Tourism Improvement District (TID)/Marketing District Assessment/Local Lodging Assessment (%)	16	2.34%	0	0.00%
Tourism Improvement District (TID)/Marketing District Assessment/Local Lodging Assessment ($)	4	$1.41	0	$0.00

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
Did the Hotel Room Tax portion of the Total Tax on a Hotel Room change in 2010 or are there any plans to change it in 2011?				
Yes	12	6.4%	0	0.0%
No	176	93.6%	14	100.0%
If yes, what is the change?				
Percent Rate	12	1.29%	0	0.00%
Set Amount	0	$0.00	0	$0.00
If yes, how is this change in the hotel room tax rate being allocated?				
DMO	8	78.38%	0	0.00%
Convention Center	2	100.00%	0	0.00%
Arts Organizations	0	0.00%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	0	0.00%	0	0.00%
Municipality General Fund	1	100.00%	0	0.00%
Other	5	34.60%	0	0.00%
HOTEL ROOM TAX -- COLLECTIONS & USAGE -- CITY				
Total Hotel Room Tax Collections	84	$15,987,602	0	$0
Percent of City hotel room tax allocated to:				
DMO Funding	86	46.75%	1	60.00%
Convention Center (operations, construction or debt service)	46	46.60%	1	40.00%
Arts Organizations	16	9.96%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	10	25.98%	0	0.00%
Municipality General Fund	48	47.26%	0	0.00%
Other	37	36.44%	0	0.00%

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS Count	ALL RESPONDENTS Average	INDIANA Count	INDIANA Average
HOTEL ROOM TAX -- COLLECTIONS & USAGE -- COUNTY				
Total Hotel Room Tax Collections	78	$12,167,709	11	$3,190,935
Percent of County hotel room tax allocated to:				
DMO Funding	77	64.99%	12	81.65%
Convention Center (operations, construction or debt service)	22	44.80%	2	82.50%
Arts Organizations	16	15.96%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	17	36.21%	1	1.35%
Municipality General Fund	29	32.10%	2	9.60%
Other	49	24.66%	5	26.93%
HOTEL ROOM TAX -- COLLECTIONS & USAGE -- STATE/PROVINCE				
Total Hotel Room Tax Collections	26	$33,955,826	1	$10,131,345
Percent of State/Province hotel room tax allocated to:				
DMO Funding	11	19.49%	0	0.00%
Convention Center (operations, construction or debt service)	7	43.15%	1	100.00%
Arts Organizations	2	8.50%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	3	27.65%	0	0.00%
Municipality General Fund	13	65.32%	0	0.00%
Other	17	78.50%	0	0.00%
TOURISM DISTRICT ASSESSMENT (TID)- COLLECTIONS & USAGE				
When was this TID enacted?				
Before 2009	12	60.0%	1	50.0%
2009	4	20.0%	1	50.0%
2010	3	15.0%	0	0.0%
2011	1	5.0%	0	0.0%
Total Assessment Collected	12	$8,700,807	1	$18,592,464
Percent of assessment allocated to:				
DMO Funding	18	84.13%	1	100.00%
Convention Center (operations, construction or debt service)	5	64.00%	1	100.00%
Arts Organizations	1	0.70%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	2	1.85%	0	0.00%
Municipality General Fund	3	12.05%	0	0.00%
Maintenance/Upkeep of District (landscaping, garbage collection, security, etc.)	0	0.00%	0	0.00%
Other	6	37.53%	0	0.00%

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
TAX RATE FOR RESTAURANT DINING				
Is there a Special Restaurant Tax (other than general sales tax)?				
Yes	29	17.0%	5	35.7%
No	142	83.0%	9	64.3%
Special Restaurant Tax Rate (% or $)				
Percent Rate	28	1.93%	5	1.60%
Set Amount	0	$0.00	0	$0.00
SPECIAL RESTAURANT TAX--COLLECTIONS & USAGE				
Percent of Special Restaurant Tax (EXCLUDE sales tax) allocated to:				
DMO Funding	6	32.93%	0	0.00%
Convention Center (operations, construction or debt service)	9	94.17%	1	100.00%
Arts Organizations	3	10.00%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	6	69.33%	3	58.33%
Municipality General Fund	9	71.49%	2	75.00%
Other	10	66.55%	1	75.00%
CAR RENTAL TAX RATE--COLLECTIONS & USAGE				
Car Rental Tax Rate at your Primary Airport (% or $)				
Percent Rate	70	11.50%	2	17.05%
Set Amount	16	$3.95	0	$0.00
Percent of Car Rental Tax (EXCLUDE sales tax) allocated to:				
DMO Funding	2	31.25%	0	0.00%
Convention Center (operations, construction or debt service)	8	51.06%	1	21.00%
Arts Organizations	5	10.94%	0	0.00%
Sports Facilities (stadiums, arenas, etc.)	11	30.48%	0	0.00%
Municipality General Fund	21	63.94%	0	0.00%
Airport (operations, construction or debt service)	21	71.28%	2	65.50%
Other	32	68.73%	2	24.00%

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS Count	ALL RESPONDENTS Average	INDIANA Count	INDIANA Average
DMO PROFILE				
PERIPHERAL OPERATIONS				
Does your DMO have peripheral operations?				
Yes	20	12.0%	0	0.0%
No	146	88.0%	9	100.0%
If yes, please indicate peripheral operations:				
Convention center	10	50.0%	0	0.0%
Parking facility	2	10.0%	0	0.0%
Sports facility	3	15.0%	0	0.0%
Museum/Cultural institution	3	15.0%	0	0.0%
Other	9	45.0%	0	0.0%
ORGANIZATION STRUCTURE				
501(c)(6)	124	63.6%	12	85.7%
City Gov't Agency	15	7.7%	0	0.0%
Chamber of Commerce	9	4.6%	0	0.0%
501(c)(3)	3	1.5%	0	0.0%
County Gov't Agency	13	6.7%	2	14.3%
Authority	8	4.1%	0	0.0%
501(c)(4)	0	0.0%	0	0.0%
State/Provincial Gov't Agency	4	2.1%	1	7.1%
Private/Public Sector Partnership	10	5.1%	0	0.0%
Non-Profit (non-US)	9	4.6%	0	0.0%
Federal/National Gov't Agency	0	0.0%	0	0.0%
Other	9	4.6%	0	0.0%
ADDITIONAL CORPORATIONS				
Have additional or affiliate corporations	43	23.89%	2	14.29%
If yes, please check all that apply:				
For Profit	3	7.0%	0	0.0%
501(c)(3)	37	86.0%	2	100.0%
501(c)(4)	0	0.0%	0	0.0%
501(c)(6)	4	9.3%	0	0.0%
Non-Profit (non-US)	2	4.7%	0	0.0%
Other	5	11.6%	0	0.0%

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
REVENUES & EXPENSES*				
2009				
Total Funding from Public Sources	153	$4,228,694	12	$1,411,226
Total Revenue from Private Sources	133	$1,303,919	7	$674,413
Total Funding/Revenue	155	$5,292,977	12	$1,804,634
Total Expenses	149	$5,441,899	10	$2,146,255
2010				
Total Funding from Public Sources	162	$4,000,180	13	$1,610,215
Total Revenue from Private Sources	141	$1,189,487	8	$736,787
Total Funding/Revenue	163	$5,004,582	13	$2,063,622
Total Expenses	157	$5,070,588	11	$2,306,532
2011 (Current FY, Budgeted)				
Total Funding from Public Sources	166	$3,942,992	13	$1,616,587
Total Revenue from Private Sources	149	$1,143,112	8	$680,693
Total Funding/Revenue	167	$4,939,284	13	$2,035,475
Total Expenses	160	$5,240,242	9	$2,638,032
REVENUES & EXPENSES				
PERCENT CHANGE (Medians)				
2010 VS. 2009				
Total Funding from Public Sources	153	0.0%	12	3.4%
Total Revenue from Private Sources	132	-3.9%	7	12.1%
Total Funding/Revenue	154	0.7%	12	4.1%
Total Expenses	149	-1.5%	10	0.0%
2011 VS. 2010				
Total Funding from Public Sources	158	0.1%	13	0.0%
Total Revenue from Private Sources	138	-1.2%	8	-0.1%
Total Funding/Revenue	159	0.5%	13	0.0%
Total Expenses	152	3.1%	9	3.0%
ENDING MONTH OF FISCAL YEAR				
April	1	0.6%	0	0.0%
June	56	33.9%	0	0.0%
July	5	3.0%	0	0.0%
September	19	11.5%	0	0.0%
October	4	2.4%	0	0.0%
November	1	0.6%	0	0.0%
December	79	47.9%	12	100.0%

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
NUMBER OF EMPLOYEES ON STAFF (Medians)				
Most Recently Completed FY (actual)				
Full-Time	182	13	14	4
Regularly Scheduled Part-Time	182	2	14	3
Total Full-Time Equivalent Employees	182	14.88	14	5.18
Part-Time On-call Staff Employees	66	8	2	4
Regularly Scheduled Volunteers	75	10	5	4
Current FY (budgeted)				
Full-Time	181	14	14	4
Regularly Scheduled Part-Time	181	2	14	3
Total Full-Time Equivalent Employees	181	15.10	14	5.18
Part-Time On-call Staff Employees	64	8	2	4
Regularly Scheduled Volunteers	72	10	5	4
CHANGES IN STAFFING				
Full-Time				
Remained the Same	120	66.3%	13	92.9%
Increased	41	22.7%	1	7.1%
Decreased	20	11.0%	0	0.0%
Regularly Scheduled Part-Time				
Remained the Same	146	80.7%	13	92.9%
Increased	21	11.6%	0	0.0%
Decreased	14	7.7%	1	7.1%
Total Full-Time Equivalent Employees				
Remained the Same	107	59.1%	14	100.0%
Increased	51	28.2%	0	0.0%
Decreased	23	12.7%	0	0.0%
Number of full-time employees (FTEs) regularly telecommuting in your DMO's main office and/or the out-of-town/satellite office(s).				
Main Office	42	11	3	5
Out-of-town/Satellite Office(s)	36	4	1	4

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS Count	ALL RESPONDENTS Average	INDIANA Count	INDIANA Average
DMO CONTRACTS				
DMO has a Contract With Primary Funding Source/Entity?	107	58.8%	6	42.9%
If Yes, How is the Contract Awarded				
RFP	9	8.6%	1	16.7%
Gov't. Auth./No RFP	96	91.4%	5	83.3%
If Yes, What is the Term of the Contract				
Annual	43	41.3%	3	60.0%
Multi-Year:	61	58.7%	2	40.0%
If Multi-Year contract, Number of Years:	53	6	2	4
If Yes, Does the Contract Have Quantifiable Performance Goals for the DMO?				
Room nights booked	34	31.8%	0	0.0%
Visitor spending generated by DMO efforts	18	16.8%	1	16.7%
Return on Investment (ROI)	27	25.2%	2	33.3%
No quantifiable performance goals	55	51.4%	3	50.0%
Other	24	22.4%	0	0.0%
PARTNERSHIP				
Have a Partnership Program	53	27.2%	5	35.7%
MEMBERSHIP				
Have Dues-Paying Members	80	41.0%	0	0.0%
If Yes, How Many Members	72	590	0	0
If Yes, % of Members Represented by:				
Accommodations	72	21.9%	0	0.0%
Restaurants	72	16.7%	0	0.0%
Retail establishments	72	9.5%	0	0.0%
Event services/suppliers	72	16.5%	0	0.0%
Attractions/cultural institutions	72	18.6%	0	0.0%
Other	72	16.8%	0	0.0%
VISITOR CENTERS				
DMO managing visitor centers	127	69.4%	11	78.6%
If DMO Manages Visitor Centers, How Many?				
Number of Year-round	125	1	11	1
Number of Seasonal	22	1	1	2

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
FINANCIAL POLICIES & PROCEDURES				
RESERVE POLICY				
Have a Formal Reserve Policy	113	62.1%	4	28.6%
If Yes, Reserve Policy Tied to:				
Set Amount	23	19.5%	0	0.0%
Total Budget	35	29.7%	2	40.0%
Net Asset/Fund Balance	15	12.7%	0	0.0%
Combination of items	23	19.5%	1	20.0%
Other	22	18.6%	2	40.0%
Have a Formal Investment Policy	84	46.4%	3	21.4%
Separate Bank Accounts for Public Funds vs. Private Funds	61	34.3%	3	23.1%
FUNDING SOURCES				
DMO FUNDING/REVENUE SCHEDULE				
Total Funding From Public Sources (%)	166	85.6%	12	91.4%
Total Funding From Public Sources ($)	166	$3,942,435	12	$1,531,402
Total Revenue from Private Sources (%)	166	14.4%	12	8.6%
Total Revenue from Private Sources ($)	166	$1,028,365	12	$453,720
Total Funding/Revenue	166	$4,970,799	12	$1,985,123
FUNDING FROM PUBLIC SOURCES AS A % OF TOTAL FUNDING				
TOTAL PUBLIC FUNDING (%)	166	85.6%	12	91.4%
Hotel Room Tax	147	76.5%	10	81.6%
Assessments (TID, Marketing Districts, Voluntary Hotel Assessments, etc.)	14	61.8%	1	100.0%
Special Restaurant Tax	8	47.1%	0	0.0%
Car Rental Tax	2	10.7%	0	0.0%
Sales Tax	3	36.1%	0	0.0%
Other City Tax Funds	13	21.4%	1	2.5%
Secondary City Funding	30	10.0%	2	2.8%
Other County Tax Funds	9	20.1%	1	0.4%
Secondary County Funding	15	5.6%	0	0.0%
Other State/Province Tax Funds	11	6.2%	0	0.0%
Secondary State/Province Funding	32	6.4%	0	0.0%
Other National Tax Funds	0	0.0%	0	0.0%
Secondary National Funding (grants, special allocations, etc.)	1	12.7%	0	0.0%
Donated (non-cash) Products & Services from public sources	5	4.7%	0	0.0%
Other Public Funding	21	20.9%	4	43.0%

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	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
REVENUE FROM PRIVATE SOURCES AS A % OF TOTAL FUNDING				
TOTAL PRIVATE FUNDING (%)	166	14.4%	12	8.6%
Membership Dues	81	6.9%	1	5.2%
Corporate Sponsorships	37	2.8%	2	9.4%
Chamber of Commerce	2	0.7%	1	0.7%
Convention Center Revenue (Does NOT include Building Revenue)	12	8.5%	2	3.5%
Building Revenue (Does NOT include Convention Center Building Revenue)	13	0.9%	0	0.0%
Print Advertising	69	3.1%	3	1.7%
DMO Website Advertising/Links	45	1.2%	0	0.0%
E-Commerce	36	0.6%	2	0.3%
Cooperative Advertising	63	4.3%	1	1.3%
Promotional Participation	78	1.3%	3	0.7%
Event Hosting	68	1.8%	2	0.7%
Publication Sales	21	3.2%	1	12.0%
Visitor Information Center(s)	72	1.6%	2	2.8%
Service Fees	27	1.2%	1	2.4%
Convention Registration	25	1.0%	0	0.0%
Donated (non-cash) Products & Services from private sources	32	5.1%	1	5.2%
Investment Income	100	0.4%	5	0.4%
Other	79	4.9%	5	6.9%
FUNDING RATIOS (Medians)				
Funding per Full-Time Employee	169	$190,175	13	$155,601
Funding per Full-Time Equivalent Employee	169	$167,547	13	$130,503

*All dollar amounts are reported in U.S. dollars.

	ALL RESPONDENTS Count	ALL RESPONDENTS Average	INDIANA Count	INDIANA Average
LINE ITEM EXPENSE SCHEDULE				
($ and % of Total Line Item Expenses)				
PERSONNEL COSTS				
Total Personnel Costs (%)	158	41.0%	11	41.0%
Total Personnel Costs ($)	158	$2,088,235	11	$905,174
SALES/MARKETING/PROMOTION EXPENSES				
Travel & Entertainment	158	2.4%	11	1.6%
Trade Show Participation	158	2.4%	11	1.0%
FAM Tours/Site Visits	158	1.1%	11	0.5%
Event Hosting - Industry Sales Marketing Events	158	2.3%	11	0.9%
Event Hosting - Member/Community Events	158	1.4%	11	0.6%
Media Advertising	158	18.1%	11	21.5%
Sales Outsourcing	158	0.9%	11	0.3%
Local Tourism Grant Programs	158	2.7%	11	6.5%
Website (website development, maintenance costs, contracts)	158	2.5%	11	3.0%
Printed Collateral Material	158	3.8%	11	4.5%
Giveaway Promotional Items	158	0.7%	11	0.5%
Merchandise Sold	158	0.2%	11	0.3%
Ticket Sales	158	0.2%	11	0.4%
Research	158	1.0%	11	2.1%
Fulfillment, including related postage	158	1.5%	11	1.2%
Donated (non-cash) products & services (for marketing and promotion)	158	0.9%	11	0.1%
Other	158	4.8%	11	2.1%
Total Sales/Marketing/Promotion Expenses (%)	158	46.9%	11	46.9%
Total Sales/Marketing/Promotion Expenses ($)	158	$2,520,910	11	$779,895
ADMINISTRATIVE/GENERAL OPERATIONS EXPENSES				
Total Admin./General Operations Expenses (%)	158	12.1%	11	12.0%
Total Admin./General Operations Expenses ($)	158	$604,667	11	$360,726
TOTAL LINE ITEM EXPENSES (%)	158	100.0%	11	100.0%
TOTAL LINE ITEM EXPENSES ($)	158	$5,213,812	11	$2,045,795

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	ALL RESPONDENTS		INDIANA	
	Count	Average	Count	Average
Percentage of total expenses that are for online/digital activities (website, advertising, search, mobile, e-marketing, etc.)	146	10.4%	10	11.0%
EXPENSES BY DEPARTMENT				
PERSONNEL EXPENSES BY DEPARTMENT				
Convention Sales and Marketing	144	25.2%	10	13.9%
Sports Sales and Marketing	144	4.6%	10	4.3%
Travel Trade Sales and Marketing	144	5.3%	10	3.0%
Leisure Marketing (Consumer)	144	12.2%	10	7.0%
Convention Services & Housing	144	4.1%	10	2.5%
Visitor Services (include VIC)	144	8.8%	10	16.9%
Communications and Public Relations	144	10.1%	10	16.2%
Membership	144	3.0%	10	1.5%
IT/Technology Management	144	1.9%	10	1.0%
Administrative (include Finance and Human Resources)	144	21.1%	10	27.6%
Other	144	3.7%	10	6.2%
SALES/MARKETING/PROMOTION EXPENSES BY DEPARTMENT				
Convention Sales and Marketing	142	24.8%	8	11.6%
Sports Sales and Marketing	142	6.2%	8	7.3%
Travel Trade Sales and Marketing	142	7.5%	8	2.9%
Leisure Marketing (Consumer)	142	34.0%	8	39.3%
Convention Services & Housing	142	2.2%	8	2.3%
Visitor Services (include VIC)	142	4.2%	8	13.2%
Communications and Public Relations	142	10.6%	8	7.4%
Membership	142	1.6%	8	2.5%
IT/Technology Management	142	2.3%	8	4.9%
Other	142	6.5%	8	8.5%
PRODUCTIVITY MEASURES (Medians)				
Personnel Costs/Full-Time Equivalent Employee	157	$67,931	11	$51,100
Expenditures/Full-Time Equivalent Employee	164	$167,568	11	$115,379
Revenue/Funding per Full-Time Equivalent Employee	169	$167,547	13	$130,503

*All dollar amounts are reported in U.S. dollars.

December 2013

JOHNSON COUNTY INKEEPERS' TAX PROPOSAL

CONVENTION AND VISITORS BUREAU SAMPLE POLICIES

Association of Indiana Convention and Visitors Bureaus

AICVB Sample Financial Policy

The BUREAU strives to have the best possible system of internal controls and financial accounting with full transparency. These financial policies are set by the Board of Directors and presented for review to the Tourism Commission to guide the work of staff and outsourced financial management.

The Executive Director provides the financial oversight for the organization on a day-to-day basis, with ultimate oversight by the Board of Directors, the Finance (e.g. Audit) Committee and the Treasurer of the Board. The Director of Operations is responsible for maintaining financial controls, monitoring cash flow, making deposits and transfers, accounts payable and receivable, and asset management.

I. Committees

The Board of Directors will annually appoint an executive committee, which will provide financial oversight under the board Treasurer to ensure the appropriate preparation of an annual budget, appropriate handling and distribution of funds, and the appropriate preparation and presentation of regular financial statements.

The Board of Directors also will annually appoint a Finance/Audit Committee, which shall include at least two members other than the Executive Committee, to have access to first review with the bureau's audit firm and to review the annual audit of the Board of Directors. Other members of the Audit Committee shall include at least one representative from the Tourism Commission.

II. Budget Oversight

The Board of Directors will set the annual budget, based on the BUREAU's fiscal year (January through December), to direct how funds are spent. That budget is to be presented annually to the Tourism Commission for appropriations approval; the Tourism Commission submits a request for appropriations to the County Council, which oversees the innkeepers taxes at the county level. The annual budget timeline is as follows:

April –May:	Staff develops and approves next fiscal year budget draft.
June:	Board of Directors reviews budget request.
	Tourism Commission reviews budget request.
	If approved, budget request submitted to the County Auditor's Office.
August:	Appropriations request reviewed by the County Council.
November:	Final budget line items reviewed by the Board of Directors.

BUREAU Board approval is necessary in order to spend funds or make financial commitments to projects that have not already been incorporated into the approved budget.

The Treasurer of the Bureau shall present during regularly scheduled Board meetings the following meetings for the month most recently closed, which are prepared by the CVB's Director of Operations:

- Statement of Position (Balance Sheet)
- Statement of Activities (Profit and Loss Statement)

The Executive Director shall provide a written budget narrative providing background on the overall financial condition of the organization for that reporting period.

III. Accurate, timely financial reports and information returns

The Board of Directors oversees that the bureau staff provides accurate, timely financial reports and information returns. The Board of Directors will review regular financial statements, including a balance sheet, a comparison of actual financial activity to the approved budget, and projections. The Executive Director, or in her absence the Operations Director, will provide a written budget narrative that discusses the budget. These become part of the bureau's official public record. The Executive Director, working with the Operations Director, will maintain a calendar of report deadlines and will advised the Board of Directors to ensure that all financial reports and information returns have been filed as required. The Board of Directors will receive financial reports no fewer than seven (7) times annually. In addition, all reports presented to the Board of Directors also will be presented to the Tourism Commission and the County Council. Because the BUREAU operates using innkeepers tax collections, it is subject also to any Freedom of Information requests the same as any other governmental agency.

IV. Compliance with government regulations

The BUREAU will comply with all government regulations, including but not limited to the Indiana State Board of Accounts, the County Auditor's Office, the Internal Revenue Service regulations for 501(c)6 organizations and any other guidelines in place, including grants and financial collaborations and contracts, and those presented by the Federal Accounting Standards Board (FASB).

V. Banking institutions and accounts

In order to minimize risk and maximize benefit, the BUREAU only utilizes federally insured local banking and savings institutions for its assets, and does the same for the County Tourism Commission, whose funds it manages. The amount on deposit with any one institution should not in the usual course of business exceed more than 50% of the FDIC insured limit of $250,000 for a business account. Money held by the County Tourism Commission is covered by the Public Deposit Insurance Fund (PDIF).

VI. Deposits

All income intended for the BUREAU will be properly received, deposited, recorded, reconciled and kept under adequate security. Any cash received must be promptly and fully deposited. The procedures for deposits is as follows:

- Appropriations checks from the county to the Tourism Commission shall be deposited to the commission's checking account. A check is then issued from the tourism commission's account to the BUREAU account, and signed by two tourism commissioners. The amount of deposit will not exceed the percentage amount stated in the annual contract with the Tourism Commission.
- Other checks for related activities, including partnership dues, cooperative programs, payment for conferences and fees, etc. shall be recorded and deposited into the BUREAU's Account.
- Electronic fund transfers for grants and credit card transactions should be duly noted and tracked.

VII. Grants, gifts and pledges

All grants will be properly received and recorded. Compliance with terms of any related restrictions or reporting for grants will be monitored by assigned staff and reported.

VIII. Fixed assets

Expenditures for land, building and equipment are recorded at cost. Donated assets and capitalized donated leases are recorded at their estimated fair market values at the date of donation. Depreciation expenses are calculated using the straight-line method and the attached estimated useful lives. Buildings are depreciated over a period of 40 years and equipment 3-7 years. In addition, the BUREAU, which leases its offices from the Tourism Commission, will maintain a replacement set aside fund to support maintenance and replacement due to normal wear and tear and age for the building. The bureau owns the furnishings inside the building.

Other maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expenses as incurred and budgeted accordingly.

The BUREAU will regularly conduct a regular inventory of fixed assets and maintain a central list of fixed assets as well as other equipment, which includes registration numbers, warranty information, original cost and service contact information as appropriate.

IX. Credit

The BUREAU may maintain credit cards for those at the managers and directors levels of the organization to facilitate efficient operations. Credit cards will only be issued in the name of specific manager and director level employees with specific credit limits as appropriate and will be adequately safeguarded at all times. The credit cards are the responsibility of the employees whose names appear on them. All credit card transactions will be only for proper bureau-related purposes and monthly must be reconciled with the incoming statement and all receipts attached. In addition, receipts and reports must have full documentation as to the purpose of the expenditure and any individuals attending the meeting and/or lunch related to the expenditure. Credit cards at other entities such as office supply or warehouse stores also may be obtained and are the responsibility of the individual whose name appears on the account along with the bureau's name.

No staff members issued bureau credit cards may intentionally use their cards for their own personal use. An accidental use will be overlooked so long as the expenses incurred are covered immediately. Continued misuse of the credit card will be duly noted, however, and is not acceptable.

X. Procurement, purchasing and contracts

The BUREAU will always seek to maximize and value and cost-effectiveness in all procurement and purchasing. When possible, however, vendors in the County should be used. A Request for Proposals needs to be issued for projects exceeding $10,000, and at least two proposals are needed for comparison unless part of an overall negotiated contract (e.g. media buys, agency of record fees, etc.)

All requests for bids and procurement transactions will be conducted in a manner to provide practical, inclusive, and free competition. The BUREAU will be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict competition or restrain trade. Any member of the County Tourism Commission or BUREAU Board of Directors who wishes to bid on a contract or has a relationship with someone who wishes to bid on a contract must provide full disclosure per the bureau's Conflict of Interest Policy and leave the room during the vote. A vote must be taken if a bureau board member or tourism commissioner is involved even if the proposal is under $10,000.

General contract obligations on behalf of the bureau may be signed by the bureau's director. Other long-term contracts, such as leases for buildings, must be signed by a member of the Executive Committee.

The BUREAU will maintain a system for contract administration to ensure compliance with the terms and conditions of the contract, to ensure adequate and timely payment of all obligations, to ensure the contractors have met the terms, conditions and specifications of the contract, and to evaluate contractor performance. Procurement records and files for purchases over $10,000 will include the following: (a) basis for contractor selection; and (b) justification for choice if lower price is not accepted; and, (c) basis for decision.

XI. Disbursements

The BUREAU Board of Directors specifies authority to approve payments for services and financial commitments. Funds will be disbursed only upon proper authorization of management and only for valid business purposes. All disbursements will be initiated only from properly authorized documentation and through purchase orders, where they will be properly recorded.

Invoices are opened by someone other than the Director of Operations, who processes checks for payment. Once the invoices are opened, they are presented to the individual in charge of the project, who must complete a purchase order for payment, assign an appropriate account number to which the payment is charged and sign off on the payment. All purchase orders must be authorized by the director or deputy director for payment and include an invoice or documentation attached.

The bureau's Executive Director and Deputy Director may sign checks on behalf of the bureau for amounts up to $2,000. Anything exceeding $2,000 also requires a second signature from a member of the bureau's Executive Committee with the exception of tax payments, payroll, or other approved funds. No check signer may sign a blank check or a check payable to himself or herself.

XII. Petty Cash

The Director of Operations supervises the petty cash fund. The fund is kept in a lock box located in a locked file drawer. Petty cash reconciliations are prepared twice a month by the Director of Operations, who submits it to the Executive Director for review monthly. The office petty cash fund is currently $200. Any employee may request petty cash with the approval of his/her supervisor. Petty cash is distributed when a petty cash form is completed, including a signature by the individual receiving the cash. It is the responsibility of the employee who requested the petty cash to obtain and present a valid receipt for the amount of funds spent. Receipts should be provided to the Director of Operations along with any change that may remain. The petty cash fund is subject to random audits by independent auditors.

XIII. Payroll and Compensation

Payroll disbursements will be made only to bona fide employees and only upon proper authorization. Changes to each payroll will be properly documented. The BUREAU will ensure that payroll disbursements are properly recorded and that related legal requirements (such as payroll tax deposits) are met. Direct deposit is required for all employees and will be made on the 15th and 30th of each month, or the prior Friday if that date falls on a weekend. Hourly employees are paid on a two-week delay; salaried employees are paid for the payroll period in which they work. The Director of Operations calls in payroll, and in her absence only the Executive Director or Deputy Director may do so. When the payroll packet arrives, only the Executive Director may open the payroll packet, review the contents and sign after review. The Director of Operations disburses paystubs to staff on or before the day the direct deposit is made, and mails those to seasonal part time employees.

The Executive Committee of the Board of Directors establishes the term of employment for the Executive Director and wages/benefits package. The Executive Director has control over the balance of the staff once the Board of Directors has approved the wage pool for the coming year. The BUREAU uses DMAI national wage and benefit guidelines for bureaus in its size as a way of measuring compensation and sets salary ranges for all staff levels.

Nonexempt employees are responsible to complete a timesheet and submit it to their Department Head for approval. Approved timesheets are then routed to the Operations Director by the appropriate deadline for payroll.

XIV. Reconciliation of banking/security statements

All banking/security statements will be delivered unopened to the executive director who is not otherwise involved in the preparation of checks or the depositing of funds and who shall review and sign each statement prior to reconciliation. The BUREAU Treasurer will receive a separate copy of the account statement from the bank, as well as copies of the checks cleared for review. The Director of Operations shall then review, reconcile and close each month in a timely manner to provide for up-to-date financial reports.

XV. Meals and entertainment

Participation in the tourism industry requires a certain level of entertainment, whether it be in the local community or at trade shows and events. The BUREAU understands this necessity but requires full transparency in disclosing the following when hosting an event, whether it's a simple business luncheon or a more elaborate affair: 1) the purpose for the entertainment; 2) the persons being entertained; 3) the items being served or what the entertainment involved. Every effort should be made to use local vendors and locations when possible, to maximize trade partners and to utilize partners of the bureau, and to avoid any appearance of impropriety or inappropriate activities. The events must be kept professional at all times and be developed with the full understanding that no expectations of anything in return for the entertainment.

Adoption/Update Date

AICVB Sample Board Orientation Policy

Board of Directors

The BUREAU is comprised of up to XX individuals who work directly or indirectly in the tourism and business development trade in the community. Every effort is made to balance the board as it relates to geography, gender, occupation and industry representation, race and talents. Every effort is made to have at least two hoteliers on the board of directors.

Each board member serves a two-year term with no limit on terms. Each officer serves a one-year term with a limit of two consecutive one-year terms in that particular office. Officer positions include the President, Vice President, Secretary and Treasurer. This group comprises the Executive Committee, which guides the weekly operations of the bureau staff working through its Executive Director. The Executive Committee also serves as the personnel committee in that it reviews and sets compensation for the Executive Director. A Finance/Audit Committee is named annually, primarily to review the bureau's budget and to hear the audit report and review the 990 prior to submittal to the Internal Revenue Service.

Suggestions for potential board members are made by members of the communities the bureau serves, other board members, staff members who meet individuals in the community, and those who are self-nominated. Decisions on board appointments are made by the board of directors, which accepts the nominations offered when vacancies are made.

Tourism Commissioners

The COMMISSION is comprised of 11 individuals who serve as an oversight committee and contracting agent to the non-profit agency that manages tourism operations for the county, in this case the BUREAU. Because the Tourism Commission is a quasi-governmental entity and must comply with all regulations mandated by the county and state for such an agency, Commissioners take an oath of office and sign an affidavit to serve in their capacity.

Appointments to the Tourism Commission are made by the following entities: (NOTE ORDINANCE REQUIREMENTS). Terms are staggered, but there is no term limit for board positions.

Officers of the Tourism Commission include the President, Vice President, Secretary and Treasurer and comprise the Executive Committee of the Tourism Commission. A representative of the Tourism Commission serves on the Finance/Audit Committee for the BUREAU.

Orientation Procedure

When a new member of the Board of Directors or the Tourism Commission is selected, every effort is made prior to the first meeting for the BUREAU Executive Director to make an appointment to review the operations of the Bureau and its relationship to the Tourism Commission, as well as to other entities in the county. Most appointees are familiar with the county prior to coming on board, but if a bureau board member or a tourism commissioner feels the need to learn about areas of the county he or she might not be familiar with, a familiarization tour of key locations would be scheduled as well.

During the board orientation meeting, which generally takes 1.5 to 2 hours, the following items must be discussed in addition to general questions:

- **Mission and Vision Review** – A review of the organization's mission and vision statements and how they were determined.

- **Strategic Plan Review** – A quick review of the organization's current strategic plan and its key elements.
- **Organization Chart** – Showing the relationship between the Hamilton County Council, Tourism Commission, BUREAU Board of Directors, the BUREAU staff and how it works.
- **Financial Overview** – A review of the current year budget and budget process, including appropriations, a review of the most recent profit and loss statement and budget narrative to explain the line items.
- **Board Review** – An explanation of who is on each board and what they represent in the way of institutional history, industry representation or community advocacy.
- **Code of Ethics and Conflict of Interest Policies** -- Reviewing and signing of the BUREAU's Code of Ethics and Conflict of Interest Policies.
- **Other Policies** – A packet of all the bureau's policies (e.g. Finance, Document Retention, etc.) and a brief review of each for questions.
- **Accreditation Standards** – Once the BUREAU is accredited, a list of accreditation standards will stay in the policy manual as a guideline for continual "best practices" for the bureau's operations.
- **Explanation of Transparency** – It is critical that each bureau board or tourism commissioner understand the level of transparency required for each entity because of the nature of tourism funding. An explanation of transparency, that minutes are kept on line for public review, that all meetings are open to the public and that the bureau is subject to requirements under the Freedom of Information Act are explained. Anything a board member or tourism commissioner does, as with bureau staff, may reflect back on the bureau at some time and is subject to public scrutiny.

Last Date Updated/Adopted