

**ECONOMIC IMPACT OF ELKHART COUNTY'S
TOURISM AND TRAVEL INDUSTRY - 2019 and 2020**

Prepared for:

**Elkhart County
Convention and Visitors Bureau, Inc.**

Prepared by

Certec Inc.

July 2021

© Certec Inc.

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	ii
INTRODUCTION	1
ECONOMIC IMPACT OF TOURISM	3
Expenditures.	3
Expenditures by Sector.	5
Employment	7
Wages	9
Taxes	9
APPENDIX A	10
Data and Methods	
Bottom-up vs. Top-down Measurement	10
Expenditure Data	11
Participant Days	12
Direct Effects	14
Multiplier Effects	14
APPENDIX B	16
Definition of Terms	

EXECUTIVE SUMMARY

A detailed examination of the expenditure, employment, and tax impacts generated by Elkhart County's tourism and travel industry, as well as the industry structure, has been conducted for the Elkhart County Convention and Visitors Bureau, Inc. This special report examines the negative impact of the COVID pandemic on Elkhart County tourism in CY 2020. The major findings of the 2020 study compared to the 2019 research follow:

- The tourism and travel industry contributed over \$287 million to Elkhart County's economy in 2020 compared to \$591 million in 2019. Direct expenditures by tourists accounted for nearly \$196 million of this total in 2020. Spending decreased (-) 51.3 percent annually. After adjusting for inflation, the annual change in spending decreased (-) 50.8 percent.
- The tourism industry in 2020 generated over \$67.6 million in tax revenues to government--\$24.9 million to the state, \$13.4 million locally, and \$29.4 million to the federal government. Total taxes in 2019 were \$139.1 million.
- A total of 3,067 jobs in Elkhart County resulted from the industry in 2020 compared to 6,367 in 2019. Direct expenditures created 2,324 of these jobs.
- Over one-third of the jobs created were in high wage occupations.
- The tourism-generated jobs provided nearly \$59 million in wages to Elkhart County workers in 2020 compared to \$121.2 million in 2019.
- Residents of Elkhart County spent an additional \$16.1 million with the local tourism industry in 2020. This direct spending created 191 jobs.
- Expenditures by category showed that food and beverage, shopping, and lodging purchases accounted for over seven out of every ten dollars spent.
- Expenditures by industry sector reflected the importance of the lodging and VFR sectors to the local tourism industry. Nearly three-fourths of all direct spending was from these two sectors.

INTRODUCTION

The purpose of this study is to quantify the magnitude of the economic impact of the Elkhart County tourism and travel industry in 2020 and show any changes since 2019. Calendar year 2020 was greatly impacted by the COVID pandemic. The Elkhart economy experienced a major disruption to the local tourism industry for both destination visitors as well as pass-through visitors. Many attractions were closed for large portions of 2020. Many planned events were not held during the year. Occupancy at lodging properties was greatly reduced as well.

Economic benefits begin when a traveler to the Elkhart area, either an Indiana resident or an out-of-state visitor, spends money in the county. This initial round of spending is referred to as the direct expenditures. These direct expenditures create a ripple-like effect through the economy. The combined impact of the several rounds of spending is referred to as the multiplier effect.

The total economic impact of Elkhart County tourism is the combination of the direct expenditures and the multiplier effect expressed in terms of spending, jobs, wages, and taxes. It is important to note that tourism impacts all sectors of the local economy. **Tourism in Elkhart County experienced a major contraction during calendar year 2020 as a result of the pandemic.** The research findings presented in this report show the importance of tourism to the local economy in 2020 and 2019. This is accomplished through the use of the Certec Model[®] designed for estimating tourism impacts at the state and local levels, in conjunction with an input-output model designed for estimating the indirect and induced effects of tourist spending. The procedures used are explained in detail in Appendix A.

Table 1

**ELKHART COUNTY'S TOURISM AND
TRAVEL INDUSTRY ECONOMIC IMPACT - 2019 and 2020**

	<u>2019</u>	<u>2020</u>
Total Expenditures	\$591,168,441	\$287,622,584
Direct Expenditures	\$401,991,324	\$195,581,792
Indirect Expenditures	\$189,177,117	\$ 92,040,792
 Annual Change Between 2019 and 2020 (Direct Expenditures Only)		(-)51.3%
 Annual Change Between 2019 and 2020 (Adjusted for Inflation)		(-)50.8%
 Total Wages	\$121,186,042	\$ 58,960,932
 Total Taxes	\$139,126,529	\$ 67,689,560
State	\$ 51,139,432	\$ 24,880,989
Local	\$ 27,556,818	\$ 13,407,284
Federal	\$ 60,430,279	\$ 29,401,287
 Total Employment	6,367	3,067
Jobs (Direct Expenditures)	4,825	2,324
Jobs (Indirect Expenditures)	1,542	743

**Certec Inc.
Versailles, KY**

ECONOMIC IMPACT OF TOURISM

Expenditures

The tourism and travel industry made a total contribution to Elkhart County's economy of over \$287 million in 2020 (Table 1). The purchases made by travelers while in the county accounted for nearly \$196 million of this total. This represents an annual decrease in spending of (-) 51.3 percent from 2019 levels. After adjusting for inflation between the two years, the annual real decline in spending decreased (-) 50.8 percent.

The difference between the total economic impact and the purchases of travelers was a result of the multiplier effect, i.e. the indirect expenditures. This was triggered by the initial infusion of dollars in the economy - the nearly \$196 million. These direct expenditures had a ripple-like quality as they passed from one layer of the economy to the next. The magnitude of these economic benefits diminished during each round of re-spending for goods and services until only an insignificantly small sum was left. The sum of these expenditures for the several rounds of re-spending of the initial dollars was the total multiplier effect of over \$92 million.

The expenditure data were further classified by type of purchase. The countywide distribution of these expenditures is provided in Chart 1. Food and beverage spending accounted for nearly 36 percent of these nearly \$196 million in direct purchases – up from 34 percent in 2019. Shopping accounted for over 19 percent of all travel expenditures. Lodging and attractions collected 17 percent and 13 percent of the total, respectively. Expenditures on transportation amounted to nearly eight percent, a decrease from nearly nine percent as a result of much lower gas prices. Seven percent of the purchases were for souvenirs.

Certec Inc.
Versailles, KY

Where does this money go once it is in the Elkhart County economy? Many hold the idea that it all goes to the service and retail sectors to support only low wage jobs. In reality, the economic benefits to Elkhart County are far more widespread. It helps support dozens of local businesses that do not directly serve the county's tourists. It impacts banking, insurance, and real estate; transportation and public utilities; construction; agriculture, and manufacturing.

Expenditures by Sector

The contribution of the individual tourism sectors to the visitor expenditures vary widely. The countywide distribution of these expenditures is provided in Chart 2. Lodging guests made over 46 percent of these nearly \$196 million in purchases – up from 37 percent in 2019. Those visiting friends and relatives in the county accounted for the next largest share of this spending (28 percent). Those passing through and attraction visitors contributed 18 percent and six percent (a drop from 27 percent) of the total spending, respectively. Campers provided nearly two percent of the purchases.

The importance of the interstate highway, lodging properties, and local attractions to tourism spending in Elkhart County continues to be important. The highway carries millions of travelers to and through the county with the exception of 2020. These interstate travelers help to hold up occupancy rates at existing lodging properties. In addition, the large volumes of pass-through travelers on the highway who stop to have meals, to buy gasoline, or shop for needed items continue to make an important, but reduced, contribution to the local economy in 2020. The destination visitor is, in turn, drawn to the county by the quality attractions available. The spending by destination travelers is substantial even though it declined between 2019 and 2020.

Certec Inc.
Versailles, KY

The pass-through highway travelers in tandem with the over 1.2 million destination travelers (a decline from 3.2 million in 2019) to Elkhart County have helped maintain the extensive network of attractions, lodging properties, restaurants, and specialty shopping that exists in the county. This mix of visitors has provided a balance to the local tourism industry. As a result it is not overly dependent on a single tourism sector – a goal most communities strive for but few achieve.

Employment

In 2020, a total of 3,067 jobs (in FTEs [full time equivalents]) in Elkhart County were due to the expenditures made in the tourism and travel industry (Table 1) – a decrease of 3,300 jobs from 2019 totals. The direct expenditures of travelers accounted for 2,324 of these jobs.

The employment opportunities were distributed throughout the county. A number of the jobs in the community are supported, in part, by tourism. Since tourism jobs are dispersed throughout the local economy, they are more difficult to identify than factory jobs. This contributes to the misunderstanding of the size and importance of tourism to the local economy.

The individual sectors of the industry had different impacts on the creation of employment. The guests in the lodging sector led the industry in job creation during the off year. The expenditures of the visitors within this sector generated 1,411 jobs—a decrease of 937 jobs since 2019. It was followed, in turn, by the VFR [visits to friends and relatives] sector (867 jobs), the pass-through sector (560 jobs) – a decrease of 520 jobs, the attractions sector (179 jobs)—a decrease of 1,517 jobs, and the campground sector (50 jobs).

The jobs created by tourism can be found throughout the occupational structure, not just in the service sector (Table 2). **Over one-third of the jobs resulting from tourism spending (34.3 percent) were found in the high-wage occupations of professional and technical, managerial, sales, construction, craftsman, and operatives.** Tourism produces a wide range of jobs in addition to the front line personnel such as desk clerks, waiters, and ticket takers travelers most often observe.

Table 2

TOURISM GENERATED EMPLOYMENT BY OCCUPATION

<u>Occupation</u>	<u>Jobs</u>
Professional & technical	146
Managerial	227
Marketing & sales	288
Administrative support	350
Construction	60
Craftsman	173
Agriculture & forestry	70
Operatives & fabricators	158
Laborers	108
Personal services	1,487
Total	3,067

Tourism stimulates non-tourism industries such as agriculture, fishing, meat packing, food processing, brewing and distilling, bottling, floriculture, construction and appliance, furniture, and linen manufacture. For example, demand for hotel rooms can create demand for the services of contractors, which generates secondary demand for steel, bricks, lumber, tile, marble, glass, plumbing and air conditioning systems, elevator cars, carpets and a variety of other goods. Similarly, tourist demand for restaurant meals creates business not only for restaurants, but for producers and packagers of fresh and frozen foods, butchers, dairies, and ultimately, for manufacturers of farm implements and fertilizers. **Consequently, a healthy tourism industry means additional business for industries throughout the economy.**

Wages

The expenditures of travelers are the business receipts of the establishments patronized. A portion of these revenues is used by the businesses to pay their employees. In 2020 every dollar spent by travelers in Elkhart County produced an average of 20.5 cents in wage and salary income.

The total wage and salary income generated by tourism and paid by local businesses was nearly \$59 million in 2020 (Table 1) -- compared to \$121.2 million in 2019. The direct purchases of travelers accounted for over \$40.1 million of this total.

Taxes

Tourism generates state and local as well as federal tax revenues. Elkhart County tourism expenditures resulted in the collection of over \$67.6 million in tax revenues in 2020 (Table 1) compared to \$139.1 million in 2019. Over two-fifths (\$29.4 million) went directly to the federal government through taxes including personal and corporate income, social security, gasoline, and airline taxes.

The Indiana state treasury benefited from the addition of nearly \$24.9 million in tax revenues generated by tourism activity within the county compared to \$51.1 million in 2019. A major portion of these revenues were obtained through sales and excise taxes, and taxes on individual and corporate income.

Local government operations in Elkhart County such as the cities and towns, county government, and the Convention and Visitors Bureau also benefited from tourism in the county. County and municipal governments received over \$13.4 million in tax revenues as a result of the tourism industry compared to \$27.5 million in 2019. Property tax, business taxes, and the lodging room tax contributed to these local tax revenues.

APPENDIX A

DATA AND METHODS

In simplest terms the economic impact of tourism is a function of the number of visitors to the county and how much they spend while there. The research challenge is to accurately measure these quantities. A number of factors contribute to the complexity of this type of economic analysis. Among these factors are:

- the distribution of tourism attractions and industry infrastructure in the county;
- the type of lodging facilities visitors use since this choice greatly impacts level of spending;
- the length of time the tourist spends in the county;
- the size of the travel party, and
- the reason for visiting the county.

These are a few of the critical factors affecting the spending patterns of visitors. **Only the spending of non-Elkhart County residents is included in this research. Locals contributed an additional \$16.1 million in direct spending to the local tourism industry in 2020 and generated 191 jobs in 2020.**

Bottom-up vs. Top-down Measurement

The Certec approach to this research challenge is based on information collected directly from tourists and tourism businesses (bottom-up measurement) as opposed to a procedure that relies on the extraction of information from business data which was initially collected for a purpose other than the analysis of the tourism industry (top-down measurement).

It is the Certec position that tourism economic impact begins with the purchase of goods and services by tourists. Therefore, to most accurately measure the sum of these economic transactions requires data collected from both tourists and tourism businesses that answer questions directly related to the research task at hand.

The Certec Model© was developed in the 1970s, and updated annually, to measure the direct tourism economic impacts at the state and local levels. The data required as inputs include the spending pattern of visitors, in great detail, and business data such as rooms sold at lodging facilities and the number of visitors to attractions.

Expenditure Data

The information on the spending pattern of travelers to Elkhart County is currently available for 2019 and 2020 through the research of Certec Inc. This research provides very detailed information on the spending of visitors to the area.

The expenditures per person per day in 2019 and 2020 were calculated. They are, by sector:

	2019	2020
lodging	\$122.80	\$118.85
attractions	\$58.85	\$59.20
VFR	\$71.68	\$72.51
pass through	\$40.66	\$40.10
campground	\$58.59	\$57.47

Participant Days

Elkhart County is divided into tourism sectors. Tourism and travel businesses operating in 2020 were identified by Certec from a review of local tourism publications as well as several individual business brochures. This information was used to update the 2019 database developed for the previous year's study.

Certec designed surveys to collect business data from a stratified random sample of these businesses. The questionnaires are available in the CY 2019 report. The information was collected through the Elkhart County Convention and Visitors Bureau, Inc. with the assistance of Jon Hunsberger, Executive Director. Mail interviews were received from the owner and/or manager of each of those establishments during the period March through June 2021. The interview had as its primary focus the number of units sold (rooms or campsites) or visitors to the facility. Complete interviews were obtained from 51.7 percent of the businesses in the sample.

Once the processing of these data sets was complete, participant days by type of business were determined. The results of this analysis are presented in Chart 3. Total participant days to Elkhart County in 2020 approached 2.7 million versus 5.9 million in 2019. Pass-through visitors accounted for nearly 34 percent of all visitor days followed by lodging guests (nearly 29 percent). The VFR and attraction visitors, after adjusting for multiple visits, sectors also provided a substantial number of participant days—28 percent and seven percent, respectively. Campground visitors accounted for two percent of the total.

Destination travelers to Elkhart County totaled over 1.2 million persons (1,223,429) compared to 3.2 million (3,224,160) in 2019—a decline of (-) 62.1 percent between the two years. In addition, over 895 thousand pass-through travelers visited the county (895,852) compared to 1,690,286 in 2019.

Certec Inc.
Versailles, KY

Direct Effects

Once the basic inputs to the Model were calculated, several statistical analyses were conducted using the equations of the Certec Model[®]. Note that the Model was modified for use in this project to reflect the Elkhart County tourism industry. This Model was designed to provide expenditure estimates at the sub-state (county) level for each of the industry sectors. These sub-state estimates by sector were combined to provide expenditure levels for the entire industry within the county.

Multiplier Effects

The indirect and induced expenditures resulting from the initial infusion of money into the Elkhart County economy were calculated using the RIMS II input-output (I-O) model developed by the U.S. Department of Commerce, Bureau of Economic Analysis. The output from the Certec Model[®] served as data input for the I-O model. The latter model provided indirect expenditures resulting from the tourism industry.

The tax revenues resulting from this industry were also estimated. State and local tax revenues as well as federal tax revenues were obtained by using sector output generated by the Certec Model[®] with expenditure/tax relationships derived from I-O analysis.

Estimates of tourism and travel industry employment were generated in a similar fashion. Sector output from the Certec Model[®] was applied to expenditure/job relationships obtained from the I-O analysis. Employment generated by direct and indirect expenditures was obtained. The I-O model relationships also allocated the total employment generated to the occupation providing the service or product.

The addition of the indirect effects, as determined from the I-O model, to the direct effects, as determined from the Certec Model[®], provided the complete picture of the economic impact of Elkhart County's tourism and travel industry presented in this report.

APPENDIX B

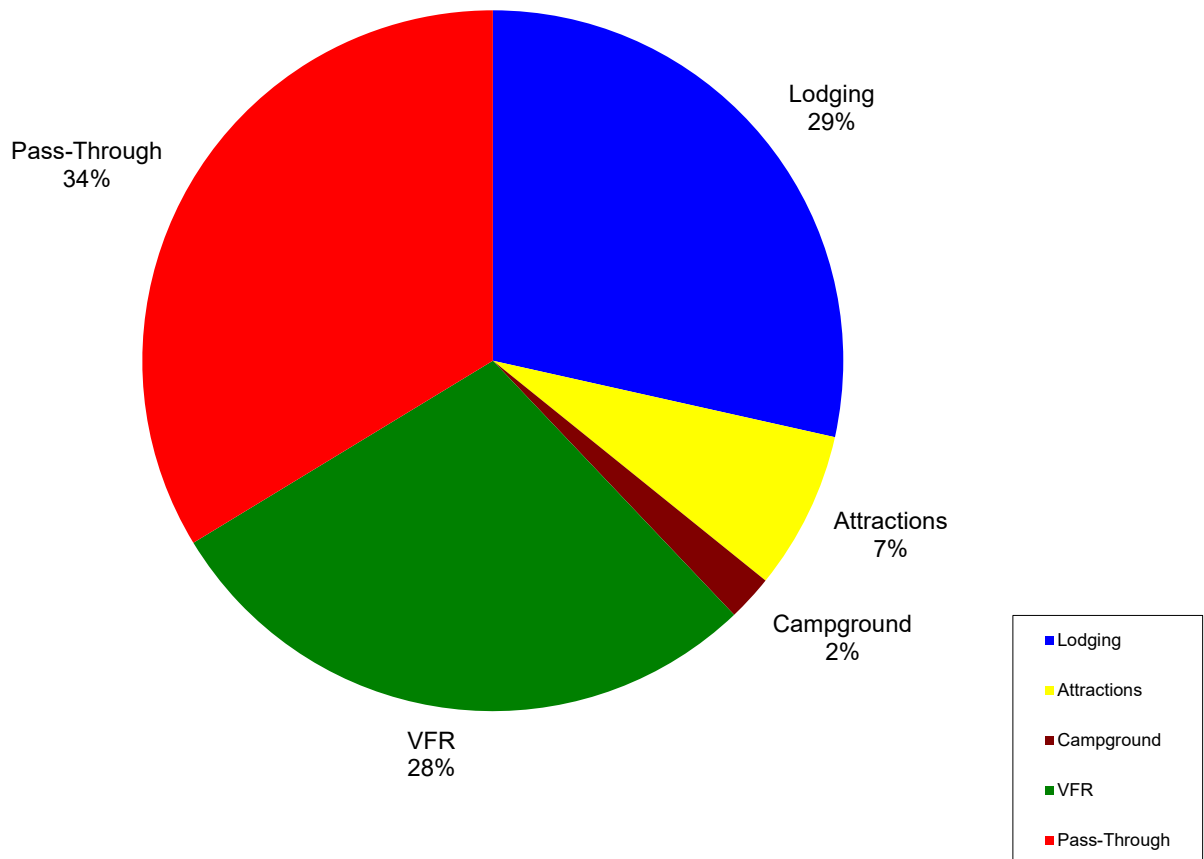
DEFINITION OF TERMS

Direct Expenditure	the exchange of money or the promise of money for goods or services while traveling in Elkhart County, including any advance purchase of public transportation, tickets, lodging or other items normally considered an incident of travel, but which may be purchased in advance of the trip.
Indirect Expenditure	the second and subsequent rounds of spending of the travel dollars (direct expenditures) in Indiana for Indiana-produced goods and services.
Input-Output (I-O) Model	an economic analysis method which is designed to measure the indirect and induced effects of a direct change in a region's economy.
Participant Day	an individual spending one day or part of a day at a tourism or travel facility -- for example, three visitors spending one day is equivalent to one visitor spending three days.
Travel and Tourism Industry	the tourism industry consists of all those firms, organizations and facilities (including accommodations, food, transportation, and related services) which are intended to serve the specific needs and wants of travelers.
VFR	Visit to friends or relatives.

**Certec Inc.
Versailles, KY**

Chart 3

Total Participant Days -- 2020



Total Participant Days = 2,660,164