February 15, 2019

Governor Ted Kulongoski and members of the legislature made a commitment to the industry and recognized the value of tourism and hospitality to Oregon's economy by passing House Bill 2267 in the 2003 legislative session.

This law is not a preemption; lodging taxes can still be increased at the local level, however it does place some parameters on new taxes.

Current Oregon Law (ORS 320.350) allows a local government to impose new or increased transient lodging tax only if the new or increased tax is allocated with at least 70 percent of the net revenue being used to fund "tourism promotion or tourism-related facilities." No more than 30 percent of the net revenue from a new or increased local transient lodging tax may be used for general fund or other general government services.

For lodging taxes that were in place before the 2003 legislation passed, the percentages will remain the same. So, if 100% of the existing lodging tax (pre-2003) went to the General Fund, the local community could still spend it that way today. If 50% went to General Fund programs and 50% to tourism promotion in 2002, then 50% could still go to the General Fund today but the other 50% would have to be spent on tourism.

By design, this law will be beneficial to many businesses in a community if the funds are specifically used to promote the area. The law is intended to stabilize tourism funding projects to build economic development at the state and local level.

On the coast there are plenty of tourists in the summer, but both employers and employees suffer in the winter months trying to pay bills and stabilize incomes. When Destination Marketing Organizations (DMO) are funded at the coast, their main goal is to try and bring economic activity to the coast during the down months. Housing and permitting concerns are issues for all industry sectors. But if you reduce the economic promotion dollars at the local level during the "down" season you will make it more difficult for employees to pay rent and other bills.

We need a broad-based solution and we need to allow the economic promotions to continue, not erode them. The tourism promotion efforts are a true partnership: local businesses, local DMOs and Travel Oregon all work in conjunction to increase economic activity around the state. Most of the money is not spent promoting summer tourism but is used to bring visitors in during the shoulder season or in the winter months when local businesses need visitor dollars to keep employees on full time. Local dollars need to be used to help promote local communities and benefit all businesses and their employees.

We know that guests who stay overnight spend more money in local communities, making up nearly one half of all visitors' spending in Oregon. If tourism promotion efforts are reduced, it will undermine the original intent of the law: providing stable local-level funding of the tourism and hospitality industry. And, if local governments continue to challenge the language regarding use of lodging tax dollars and push for increased taxes to fund services, it may not meet the definition as stated in ORS 320.350. Changing the statute will effectively eliminate the ability to ensure tax dollars collected from visitors are used to bring in more tourists and travelers to areas with unique economic problems outside the metro areas.

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