February 4, 2020

To: House Committee on Revenue, Oregon House of Representatives

Chair Nancy Nathanson

Vice-Chair Pam Marsh

Vice-Chair E. Werner Reschke

Representative Diego Hernandez

Representative Alissa Keny-Guyer

Representative Mark Owens

Representative Greg Smith

From: Bill Perry, Oregon Restaurant & Lodging Association

RE: Support for HB 4047

There are a few of us that have been involved in the Transient Lodging Tax (TLT) discussions since the passage of HB 2267 in 2003. It is important to note as we continue to have these discussions and continue with the development of the promotion of the State of Oregon, that this is a tax on a specific industry, and that the tax is not only to benefit the industry directly but also the whole retail and business community throughout the state.

The oversight of the tax dollars is done by the industry being taxed and made up of, in our opinion, experts in the industry who can use the tax dollars to benefit the state and the business community. It is in the best interest of the people serving on the tourism bodies at both the state and local levels to use these dollars in the best manner possible.

As we look at the tourism spend, remember these dollars benefit far more than just the lodging industry. Only 22% of the tourism spend goes to accommodations; 26% is spent in restaurants, 15% is spent on gas benefiting road funds, around 11% in retail stores, 10% in arts and entertainment and 7% in grocery stores. The efforts of our tourism marketing organizations benefit far more than just our industry.

Oregon is a unique state. I grew up in The Dalles and in the summer we would water ski in the morning at 150 feet sea level and then make the 40-minute drive to Timberline to snow ski at 10,000 feet. How many places in the world can you do that?

Unfortunately, Oregon is not always the first choice of domestic, much less, international travelers, especially this time of year. Using state and local lodging taxes, we are trying to change that. One of the objectives with the development of the lodging tax change in 2003 was to try and gain a direct European flight from Germany with Lufthansa, Today, we have 10 international direct flights and are looking at adding an 11^{th} from London.

This has been a goal because we have discovered that international travelers spend an average of $1600 per visit as compared to $700 for the average domestic traveler. As many of you know sometimes when you chase additional market share you run the risk of losing some of your existing markets. We have been able to maintain most of the successful programs while expanding markets, convention facilities and festivals all around Oregon.

The other piece important to the structure of these programs is the local Destination Marketing Organizations (DMO). DMO's understand how vital it is to spend lodging tax dollars on the tourism market expanding it past just the Metro area and just the summer season where Oregon has traditionally been successful.

Local government collection of TLT revenues increased in all tourism regions between 2007 and 2018. In nominal dollars, local TLT revenues grew by 128% ($114.8 million) for a total collection of $232.8 million at the local level in Oregon in 2018. Currently, 107 local jurisdictions use lodging taxes to fund General Funds at the local level. The biggest tourism markets like Portland, Bend and Ashland on average use over 50% of their local tourism dollars for General Fund programs.

In 2018, only 76 of the local jurisdictions contributed to the operation of local tourism promotion programs, spending $48.9 million on promotions, which is about 21% of the total collections. An average annual budget of $643,000 for each promotional program, this includes staffing, operations and marketing. Lucky, the state lodging tax system developed in HB 4146 helps supplement regional budgets and gives the local marketing programs money to coordinate with each other to promote their regions and not just individual markets. The State TLT contributes about $7.5M annually to the Regional programs to make sure the tourism benefits impacts go beyond the major markets.

Local regional promotion efforts have shown to be beneficial in many of these local communities. The biggest problem in most of the rural markets is a decline in economic activity outside of peak tourism seasons. This is what we term "seasonality" and trying to decrease seasonality is the main goal of regional tourism programs. Business revenue drops and workers have historically worked fewer hours in the non-peak seasons. The main goal under these local marketing agencies is not attracting visitors in the peak season but spending dollars and attracting economic activity for the entire year.

There are different factors impacting tourism and retail markets. Weather, recessions and natural disasters like wildfires can have a dramatic effect on businesses in this state and generally a larger impact in the rural areas of the state. Stable funding at the state and local level are vital to the industry as we face these types of impacts in the future.

ORLA believes the industry has been successful in growing the economy in all areas of the state with the state and local use of the Tourism Program. The industry taxes itself and promotes the state as a whole with the current programs. We ask you to continue to support economic development and growth around the state by supporting HB 4047 and we will continue to work to grow Oregon's economy.