From The Desk of:

E Werner Reschke

Oregon Restaurant & Lodging Association

Now is the wrong time to be advancing HB 3962.

HB 3962 was filed after the regular deadline because previous versions or the same concept did not move out of committees—and for good reason.

This bill threatens to divert dollars away from local economic development efforts at a time when Oregon's hospitality sector is still recovering from the impacts of the pandemic. This issue deserves more discussion, more data, and more understanding before significant changes are made to a system that has been successfully supporting cities, counties, and local businesses since 2003.

The Transient Lodging Tax (TLT) is a cooperative system that benefits both local governments and the businesses that generate the tax revenue. HB 3962 undermines this partnership. At its core, the bill would shift funds away from one group to benefit another—violating the longstanding balance that has helped communities grow and thrive.

The local TLT system is already highly complex. HB 3962 adds more confusion by targeting pre-2003 legacy TLT taxes—an area that had not been discussed during the session. These changes were introduced just before the committee meeting, leaving no time for analysis or public input on how they would impact existing local tax structures.

TLT is often characterized as a 70/30 split—70% for tourism and economic development, and 30% for local government. But the reality is much more complicated. Most TLT income comes from taxes adopted before 2003, which are not subject to the 70/30 allocation.

For example, a statewide survey from 2018 showed that along the coast, 52% of local TLT revenue went to local governments, 20% supported tourism promotion, and the remaining portion funded programs like the arts and other community initiatives. Yet the debate continues to be oversimplified as a 70/30 issue.

Even the Legislative Revenue Office, in an informational hearing before the House Committee on Revenue, acknowledged that no single source exists to track how cities and counties allocate or spend their TLT revenue. Without accurate, comprehensive data, it is unwise and short-sighted to make sweeping changes to the law.

Recent changes to HB 3962, introduced just before the latest hearing, would reverse the funding ratio to 40% for tourism and economic development and 60% for local governments. This would double the share allocated to local governments while slashing funding for tourism promotion, facilities, and economic development.

These changes would result in significant budget shortfalls for Destination Marketing Organizations (DMOs) and Chambers of Commerce—organizations that are often contracted to carry out tourism promotion and economic development efforts.

In many communities, TLT revenue also supports tourism-related facilities, with cities and counties using those dollars to pay off bonds. For jurisdictions with substantial bond obligations, tourism budgets could be cut by over 50%.

Adding to the confusion is the last-minute -14 amendment to HB 3962, which further complicates an already complex system.

Consider the city of Tillamook as an example. Tillamook had a 7% lodging tax in place before 2003, with 100% of that revenue directed to the city's General Fund. In 2007, the city increased its TLT by 3%, which is subject to the 70/30 split. Today, this results in a blended allocation of approximately 79% to the General Fund and 21% to tourism and economic development.

Under HB 3962's proposed changes, Tillamook could reduce the post-2003 tourism allocation to 40%, which would bring the new blended rate to just 12% for tourism and economic development—well below the 40% "floor" implied by the bill—and allow up to 88% to be spent at the city's discretion, far above the suggested "ceiling" of 60%.

The TLT system is already extremely complex, and the process behind HB 3962A has been neither transparent nor consistent with standard legislative procedures. All local TLT-related bills this session failed to advance before the deadline. At no point was there public discussion about altering taxes adopted prior to 2003.

We do not know how HB 3962 will impact individual communities because the data doesn't exist and there has not been proper analysis. Making statutory changes without this understanding puts both community investments and tourism development at risk.

Please do not "rob Peter to pay Paul." We respectfully urge you to vote no on HB 3962.