ORLA
Oregon Restaurant
& Lodging Association

March 19, 2025

Chair Tran, Vice-Chair Grayber, Vice Chair Lewis and Members of the Committee,

Please oppose HB 3556, and stress to local governments to support the current Transient Lodging Tax (TLT) system to help local small businesses utilize the economic development structure currently in law.

I would like to remind the Committee most TLT's were passed prior to the landmark 2003 legislation so the biggest benefactor of TLT revenues is still local General Funds. Since the Coastal Region seems to be the discussion around this bill, a Local TLT study conducted in 2018 found 52% of the coastal region TLTs went to General Funds of the local Governments and only 20% went to tourism promotion.

It is frustrating to coastal businesses who suffer for lack of customers for most of the year because local governments fail to make tourism promotion in the shoulder seasons a priority. This is not just about lodging properties. Restaurants, gas stations, grocery stores and all other retail businesses suffer and struggle for more than half the year, every year, because local governments on the coast do not make tourism promotion a priority during the shoulder seasons.

Here is an example of the TLT collection for the year of 2018 on the coast:

DOR receipts	**Q1**	**Q2**	**Q3**		**Q4**
Lodging dates (approx.)	**April-June 2017**	**July-Sept 2017**	**Oct-Dec 2017**	**Q3 as % of Q2**	**Jan-Mar 2018**
Coast	1,996,574	3,460,308	1,288,825	37.00%	1,437,019

What's important to look at is this drop between the "peak" season in Q2 and a 63% decline in revenues in Q3. I hope this committee would understand how hard it is to operate a small, local business and retain employees year-round when business falls below 50% revenues for a six-month period every year. Local businesses ask local governments to help promote shoulder season activity every year, with no success.

I know local governments have cost containment issues and their costs are going up higher than their revenues. Inflation and labor costs are almost unmanageable these days in both the private and the public sectors. But the lodging industry on the coast is not only dealing with higher labor costs, inflation and higher overall costs. STR, a company that puts out benchmark numbers for the industry, shows Occupancy Rates for coastal hotels dropping from 58.3% in 2023 to 57.9% in 2024 (year over year) and the average room rate also declined from $164.20 to $160.50 room per night.

Is it sound business practice to reduce your promotions or raise taxes on an industry that is seeing a decline in revenue?

Our message is simple: Lodging taxes at the state and local level are intended to be used to promote tourism and build economic development in their communities. Local governments come to Salem every year and try to take these dollars away from their intended purpose. Coastal cities may be experiencing difficult times, but so are coastal hotels and other retail businesses and they've been dealing with it for decades.

According to research, the coastal region cities and counties only spend about 20% of their total TLT dollars on tourism promotion. From our perspective, and on behalf of those small, local businesses struggling to make ends meet every single year, we should be trying to get jurisdictions to spend a higher percentage on tourism promotion to help the businesses struggling for more than half the year.

Please oppose HB 3556. Rather than take a step backward and further harm local businesses on the coast and throughout Oregon, let's try and help our local small businesses move forward.

OREGON COAST		Revenue ($)			Occupancy (%)			ADR($)		
Current Year	Month	Current Year	Previous Year	%Chg	Current Year	Previous Year	%Chg	Current Year	Previous Year	%Chg
2024	Jan	$ 14,677,763.81	$ 17,383,790.18	-15.57	36.4	41.0	-11.32	$ 115.80	$ 119.46	-3.06
2024	Feb	$ 19,866,242.00	$ 20,325,348.45	-2.26	47.9	48.2	-0.64	$ 131.42	$ 131.22	0.15
2024	Mar	$ 27,188,893.95	$ 26,643,784.59	2.05	55.5	53.6	3.60	$ 140.20	$ 139.84	0.26
2024	Apr	$ 27,078,979.39	$ 28,718,028.05	-5.71	55.6	57.3	-2.95	$ 144.08	$ 146.08	-1.37
2024	May	$ 33,460,434.60	$ 32,789,438.95	2.05	60.2	59.5	1.14	$ 158.19	$ 155.52	1.72
2024	Jun	$ 43,650,709.10	$ 43,065,753.91	1.36	69.8	69.5	0.40	$ 183.89	$ 181.45	1.34
2024	Jul	$ 56,138,617.93	$ 57,703,983.77	-2.71	77.1	76.7	0.57	$ 206.98	$ 213.14	-2.89
2024	Aug	$ 56,547,861.07	$ 57,937,437.41	-2.40	76.7	76.8	-0.15	$ 209.56	$ 213.59	-1.89
2024	Sep	$ 40,319,368.81	$ 44,662,251.12	-9.72	71.1	72.6	-1.97	$ 166.58	$ 180.18	-7.55
2024	Oct	$ 29,240,227.39	$ 31,241,707.83	-6.41	58.6	58.2	0.66	$ 141.92	$ 153.04	-7.26
2024	Nov	$ 19,666,592.78	$ 20,529,548.90	-4.20	46.0	46.0	-0.07	$ 125.72	$ 132.06	-4.80
2024	Dec	$ 16,059,303.28	$ 16,780,541.07	-4.30	39.2	39.3	-0.43	$ 116.69	$ 122.21	-4.52
2024	**TOTAL**	**$ 383,895,431.00**	**$ 397,781,614.00**	**-3.5**	**57.9**	**58.3**	**-0.6**	**$ 160.50**	**$ 164.20**	**-2.3**

What Happens When You Stop Marketing?

The Rise and Fall of Colorado Tourism

Dr. Bill Siegel
Founder & Executive Chairman

Longwoods International

Conclusion

The Colorado case study offers us a unique glimpse into a 30-year program of research that documents the stunning impact of the state's virtually complete and unprecedented elimination of its tourism marketing budget. In what may well be the classic demonstration of the financial value of marketing, the case clearly documents the lost opportunity when funding was cut:

- Over $2 billion in lost sales annually by cutting $12 million in promotional dollars.
- Over 30% decline in market share.

It shows us what was gained once state funding for marketing was reinstated:

- A huge rebound in Colorado visitation, tourism expenditures, and market share.

A key lesson learned is that, after the budget was cut to zero, the state's effort to create a private-sector funding model was an abject failure. The tourism industry is dominated by small businesses with limited financial resources, the major players had their own interests at heart, and none represented the ***Colorado***, the key brand of interest to consumers.

Within tourism, the Colorado story has become a legend, with many of the state's competitors citing these numbers to their legislators as evidence for why their programs should be funded, not cut. In these challenging economic times, when marketing budgets are an easy target in the private sector and public sector alike, the lesson from this case is quite simple:

THINK TWICE BEFORE SLASHING YOUR MARKETING BUDGET.

DON'T BE THE NEXT COLORADO!