

Chair Nathanson and committee members,

I came and spoke in person on February 9<sup>th</sup> at the hearing and was unable to complete my testimony in the allotted time, below I respectfully submit my full testimony:

My name is Erik Ostrander, I am from Cannon Beach and I write to oppose HB4148, I wear a number of hats in my community of Cannon Beach, I am a small business hotelier, a volunteer firefighter and a city councilor, I mention these roles only to emphasize my unique perspective in our community to how our lodging tax has been historically collected and spent. The 70/30 split that has been in place since 2003 has been a win for tourism and small business growth across the state, especially in the off season, it also provides much needed protection for the lodging community ensuring that monies collected from our visitors is spent in ways that will directly benefit and support them.

There are some good things in HB4148 such as Section 4 which I believe helps to provide much needed transparency in total lodging tax spending. I will always fight for more transparency and accountability.

I have two main concerns with this bill as proposed, the adjustment in how the split is being changed and how dollars already collected under the 2003 preemption are handled.

Instead of discussing adjusting the split there should be a discussion of more clearly defining what tourism purpose is to ensure that communities collecting this money from visitors feel comfortable and are able to spend that money that will provide the greatest benefit, pulling tax money paid for by tourism away from tourism purpose is wrong.

Currently the city of Cannon Beach has a 9.5% lodging tax; of this tax the city is permitted to realize 74.2% of the total collections as unrestricted general fund dollars, this is because before 2003 Cannon Beach had a 6% lodging tax which goes straight into the general fund. Only the 3.5% increases after 2003 are held to the 70/30 split. So, the vast majority of collected lodging taxes in Cannon Beach are already unrestricted, a similar story is true in most heavily touristed cities in Oregon. If this bill were to be approved Cannon Beach would be permitted to realize 85.2% for its general fund this is a far cry from the talking point of the marketing from those who support this bill.

Locally in Cannon Beach the voters recently approved a tax on the sale of prepared foods within the city limits which helps to support our fire department. The initiation of this narrowly scoped tax helps to spread the tax burden across other sectors of our community and provides a substantial benefit to our emergency services locally. Instead of continually going to the well of lodging tax to pay for expenses. Within Cannon Beach there is substantially more space for day trip visitors and pass through visits than there is for overnight hotel guests, this means that the tax collected from prepared foods is being collected from a larger cross section of the visitors to Cannon Beach than Lodging Tax ever could. The 2003 preemption to new lodging taxes gave us the opportunity locally to be more creative and

actually be more successful in spreading the collections of revenue among a more representative tax base of visitors to our community.

This year Clatsop County added an additional 2% to the lodging tax required to be paid by hotel guests, the county has no plan for how to spend the restricted portion of this increase, they went so far as to indicate they will reduce the tax if a bill passes allowing them to use more of the tax. This feels like extortion to me, we were even told directly by county staff and elected officials to not worry about the tax increase because if the bill to change the preemption passes, they will reduce the tax increase.

All Oregon taxing entities are fully aware of the 70/30 split currently in existence and taxing entities should not be rewarded for collecting tax dollars knowing they had no plan on spending the majority of it this is tantamount to holding sectors of our economy hostage by using them as a bargaining chip awaiting a change in legislation. Section 1 subsection 7 (a) and (b) permitting entities that have collected millions of dollars over the years and sat on it hoping that someday a change would come to permit the spending of the money they collected knowing it had restrictions should be eliminated and taxing entities should be held accountable for the dollars they collected with the restrictions in place upon collection. I am worried that rolling back restrictions and applying it retroactively like this would set a dangerous precedent for how our tax code operates.

This bill as written will hurt our small businesses in Oregon, especially tourist communities like those along the coast which, in general, have no other industry other than tourism to fund the needs of the community. I implore you to vote no on this bill and ask ORLA, League of Oregon Cities, Association of Oregon Counties and the lawmakers who proposed this bill to go back and continue the work they have been doing, and to come back with a more refined version that will help more clearly define tourism specific uses and ensure that collected taxes will be spent on projects and programs that directly help improve both tourism and lighten the burden that tourism can cause on the community.

My suggestion for those drafting the changes based on the current language is to keep the reporting requirements, add in some more clear language around tourism purpose and to eliminate the changes to the split. This would allow you as state lawmakers to revisit this conversation after a couple of reporting cycles and have clear and concise data on how much lodging tax is being collected by each of the entities around the state, how it is being spent, and how that spending is impacting both the economies and the livability of each and every locality that is collecting lodging tax. By having a complete picture I believe a substantially better adjustment to the spending requirements can be drafted maybe even one that benefits every community.

Thank you for your time,

Erik Ostrander

Cannon Beach City Councilor