

## HB 4146: Transient Lodging Tax

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I'm here to propose making a new investment – to ramp up Oregon's global presence to increase tourism. This is an economic development proposal. It will be paid largely by people from *out* of state, but the benefit comes to Oregon.

This bill does three things: increases statewide tax from 1% to 2%; guarantees 15% going directly to regional efforts, and adds flexibility for the regions.

Today I'm going to talk about both the statewide impact, and the big event that started this conversation.

### First, the statewide impact of a lodging tax

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Tourism is a significant sector in Oregon's economy: about \$10.3 B each year. The economic research firm Dean Runyan Associates reports that the travel industry is one of the three largest export-oriented industries in rural Oregon counties. Between 2003 and 2013, the rate of growth for both earnings and employment grew more for travel than micro-electronics, software, agriculture and food, forest and wood, and manufacturing. We should take seriously our potential to grow this industry sector as an even bigger contributor to our economy.

This bill increases resources for the Oregon Tourism Commission to invest in furthering the state's tourism industry, to promote all of Oregon. And we know that investing in tourism pays off, big time.

Since the state lodging tax passed 2003, there's been an 84% increase in local taxes from visitor and travel activity. Every \$1 invested in Travel Oregon's advertising campaigns generates \$11 in state and local tax revenue. Since Travel Oregon started doing statewide marketing, there has been significant growth in out-of-state and international visitors. For example: international visitation to Oregon in 2014 increased 9% over 2013.

It's also about an event – the event that spurred this discussion.

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Awarding the 2021 IAAF World Championships to Eugene spurred this discussion. Oregon will be on the world stage, and a global audience will be seeing Oregon – and it's not just a one-day splash.

First, I want to be very clear: this bill does not provide a direct subsidy or public General Fund subsidy for the 2021 IAAF event, or Tracktown USA, or any other entity. TrackTown will be eligible to come to the Commission and submit a proposal, just as other projects submit grant requests.

Is an investment in this event worth it? Yes.

### Economic benefit for just the event

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So for those who *do* want to talk about the 2021 championships, the direct spending, not including any economic multipliers from that spending are: \$52.4 M spending by visitors,

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and another \$85.6 M on operations. The independent economic impact analysis indicates a total output of \$314 M goods and services produced in Oregon. It's easy to picture the benefit from **visitors** finding places to stay, eat meals, make purchases. All these **other** goods and services will be purchased from Oregon businesses: creative design and production for promotional materials, print and copy, souvenirs, programs and other publications, construction for temporary marathon and race walk courses; IT infrastructure and websites; electrical power and generators, rental of radios and mobile phones, hospitality service catering, equipment rental including tents, tables, chairs; and the list goes on.

### Economic benefit beyond the event

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The economic impact analysis measures only the direct impact of the event itself, and does not estimate the benefits of future travel, business location or other conference siting decisions by the visitors who attended or the global audience seeing Oregon – in other words, the impact of global exposure, and delivering a first-class event and travel experience.

But without the revenue that would be achieved through this bill, that opportunity won't exist and the opportunity for Oregon to showcase our state on the international stage will be lost.

### The event

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This discussion should be focused on the opportunity to benefit communities in every region of the state. Look at what Travel Oregon has done recently, from Waldport to the Willamette Valley – and how much more we **could** do. More money will be available for regions to improve tourism marketing and facilities, and to compete for meetings and special events – sports and other activities.

But I know some people want to talk about the event that was the impetus for this idea – so I want to take a minute or two to address that. So, since previous events have been in cities like Beijing, London, and Seville, why Eugene? And Can Eugene really handle this? A 10-member IAAF Evaluation Commission came to Oregon last fall, studied this in detail, and said it CAN. It's been typical in other places for spectators to spend time getting to the event; 90 minutes is not uncommon, even 2 or more hours for Moscow. The Evaluation Commission determined what Oregon can offer is reasonable. Travel Lane County typically books visitors into cities on the coast and in other Willamette Valley counties for other track & field events; Albany, Corvallis, Florence, and lots more see the benefit to *their* communities.

Mega city doesn't necessarily mean mega event: When the 2015 World Championships were held in Beijing, an entire level of their enormous stadium was roped off in an attempt to consolidate spectators and obscure emptiness; the event is just a small thing lost in a big city. Here in Oregon, the sport is well respected, and visitors are treated well.

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- Third largest sporting event in the world, after the Olympics & World Cup
- About 33,000 visitors will arrive through Portland International Airport, and stay in many communities
- 9-day event. Most of the event would be at Hayward Field, but other events, like the marathon or racewalk or IAAF Congress, could be held in other locations such as Portland or Salem.
- More than 2,000 athletes from 200 countries – and they arrive up to a month in advance, setting up training camps spread out at various places like community colleges and high schools around the state
- Thousands of hotel rooms booked and Oregon services utilized from retail, restaurants to media, medical and financial

### Improvements to benefit local tourism programs

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I want to get back to what this bill does; that's what I bring to you today, an economic development proposal. I've listened carefully to learn what local areas like about the idea, and what gives them pause about the lodging tax. They've been constrained in their use of the funds, and they've sometimes been disappointed in the amount shared with them.

### Guarantees the amount distributed to regions

The current statute ORS 284.131 says that *as much as* 15% of the Transient Lodging Tax will be spent on a regional cooperative tourism program. This includes allocations to the Tourism Commission's seven regions all around the state, grant recipients, and programs that encourage out-of-state and international visitors. This bill removes the words "as much as" so that a full 15% will automatically be distributed to the seven regions.

#### 1. Allows more flexibility

The bill also broadens the use of the TLT. Current statute restricts the use to tourism *marketing* programs. By removing the word "marketing" regions have more flexibility to spend the money on other tourism projects. For example, the Oakridge and Westfir Tourism Alliance is working on their regional signage and wayfinding system for hikers and mountain bikers. Under HB 4146, the Tourism Alliance could use their regional allocation to help pay for signs that connect visitors to the "Uptown" district where most new business development has occurred. Or, they could use their regional allocation to help create new trails or recreation amenities along the trails to improve the visitor experience.

There are others in the room who will be able to provide more detail about the event, about other events in Oregon, and about how Travel Oregon allocates funds.

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## Conclusion

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This is an economic development proposal.

More than  $\frac{3}{4}$  of the lodging tax is paid by out of state and international visitors.

Oregon has been awarded a once-in-a-lifetime opportunity: the 2021 IAAF World Championships, the first time to be hosted in the U.S. Out of state and international visitors, as well as a global viewing audience, will see Oregon at its best. That was the catalyst for discussion, and the proposal that evolved envisions benefiting the entire state. This is the time to ramp up efforts, helping attract major events, and promoting the best of Oregon for tourism: The Seven Wonders of Oregon, the rivers and mountains, wineries and brew pubs and cheese, fishing, bicycling, golf, paddling, and being out in every corner of the state. I'm excited about the possibilities.

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## Amendment and subsequent testimony

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Provided amendment to committee. Main points:

**MORE DEDICATED FUNDS FOR REGIONAL PROJECTS.** This amendment creates a new fund, 15%, in the form of a matching grant program for tourism related facilities and tourism-generating events, including sporting events.

Currently, T.O. spends about 13% of its budget on an area described as "Destination development" to help develop and improve the economies of communities by improvement, expansion and promotion of the visitor industry; this includes funding for matching grants and also other tourism programming. So the amount that will be designated for local tourism programming will be substantially increased.

**WORK GROUP.** In my conversations with colleagues and during the hearing, some tensions have become obvious, over how money is shared within each region, and some other points about how funds are distributed. A work group will discuss:

Regional share: amount and policies for distributing funds for regional tourism programs, including a proportional share of the DMO distribution to the county of origin, and boundaries for tourism regions.

Establishing an exemption for homeless persons using transient lodging for less than 30 days

Frequency of distribution of state lodging tax,

Data sharing.. I heard from a county representative for a county that has been concerned about tax compliance; while many businesses are paying their lodging taxes, there is concern that some are not. It's a loss of revenue for the local government, and it's not fair to business. The purpose of sharing data will be to

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review which entities are paying tax, so the local government can review it for tax compliance.

OVERSIGHT: The amendment directs the Tourism Commission to report to Legislative Fiscal Office annually, and enables LFO to request additional information as appropriate.

*Excerpt from testimony provided with amendment:*

In short, this amendment incorporates several ideas: to add transparency and accountability, to initiate discussions about regional allocations, and to spread more money to regions around Oregon, I request that you consider and adopt this amendment.

You've heard from representatives of the lodging industry who support the bill: Oregon Restaurant and Lodging Association, from Oregon's seven universities, the city of Salem, the mayors of Eugene, Albany, and Corvallis, the CEO of the Central Oregon Visitors Association (Alana Hughson), both a large (Scott Youngblood, Embassy Suites in Tigard) and small Hotelier (Karen Utz, Black Walnut Inn in Dundee).