

Date: March 22, 2017
To: House Committee on Economic Development & Trade
From: The Association of Oregon Counties
Subject: House Bills 2744 and 2768

Please add to the records of the House Committee on Economic Development & Trade these comments related to House Bills 2744 and 2768, which are on the committee's agenda for public hearing on March 22, 2017.

AOC strongly supports House Bills 2744 and 2768

Fifteen counties have local transient lodging taxes (TLT). Until 2003, the transient lodging tax had always been local, managed by locally elected officials. Local communities had been perfectly able to shape and approve the TLT that best fit local circumstances. All county TLTs used at least a share of proceeds for economic development and tourism.

House Bill 2267 (2003) imposed new requirements and limitations on local TLTs, directing specific purposes of the local tax for the benefit of a particular industry. After July 1, 2003, a county may increase its existing TLT or adopt a new one only under the following limitations.

- An increased TLT may not decrease the percentage of revenues actually expended to fund “tourism promotion” or “tourism-related facilities”.
- At least 70% of net revenue shall be used to fund “tourism promotion” or “tourism-related facilities”; or to finance/refinance debt of “tourism-related facilities” and pay administrative costs incurred.
- Not more than 30% of net revenue shall be used to fund general county services.
- “Tourism promotion” means:
 - Advertising, publishing, or distributing information to attract “tourists”. A “tourist” travels more than 50 miles for the community of residence or stays overnight.
 - Strategic planning and research.
 - Operating “tourism promotion agencies”, which includes a nonprofit organization or governmental unit responsible for year-round promotion; a nonprofit entity that manages tourism-related economic development plans, programs, and projects; and a regional or statewide tourism-related business association.
 - Marketing special events and festivals designed to attract tourists.
- “Tourism-related facility” means:

- “Conference center”, which meets the membership criteria of the International Association of Conference Centers.
- “Convention center” with statutorily specified rooms, spaces, and ownership.
- “Visitor information center”, a building or portion of a building for the main purpose of distributing information to tourists.
- “Other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities.”

House Bill 2744

HB 2744 reasonably loosens the overly rigid statutory restrictions on the use of proceeds of local TLTs by scoring more spending that stays in the community to the 70% requirement. The amendment does not disturb the link to the tourism industry.

The bill amends the fourth bullet above under the definition of “tourism-related facility” to read: “Other improved real property **or improvements to real property**, that [*has a useful life of 10 or more years and has*] **have** a substantial purpose of supporting [*tourism*], **promoting** or accommodating **tourism or** tourist activities”. And it authorizes the costs of maintenance of tourism-related facilities as permissible “70%” expenditures for new or increased local TLTs.

The bill also removes the requirement that a local government that agreed on or before July 1, 2003, to increase its percentage of local TLT revenues expended to fund tourism promotion or tourism-related facilities increase the percentage as agreed.

House Bill 2768

HB 2768 expands the needlessly restrictive statutory definition of “tourism promotion” to include enhancing tourist attractions, tourism-related facilities, or tourism-generating special events by beautification projects and constructing or improving sidewalks, benches, parking facilities, and restrooms. The positive result of these changes to the definition would be more local spending on community infrastructure improvements. And this local spending would be categorized as going toward satisfying the 70% requirement imposed by statute on the local TLT.

Both HBs 2744 and 2768 provide modest, real-world improvements to the overly rigid restrictions imposed on local TLTs in 2003.