

**Review of
Semi-Independent Agency Reports**



**Legislative Fiscal Office
December 2018**

OREGON TOURISM COMMISSION

OTC Programs	2015-17 Budget	2015-17 Actual*	2017-19 Budget
Global Strategic Partnerships (GSP)			
GSP - Regional Cooperative Tourism Program	9,789,636	3,350,000	15,069,000
GSP - Competitive Grants Program	1,249,908	485,000	5,034,000
GSP - Competitive Large Grants Program	2,500,000	0	2,500,000
GSP - Industry and Visitor Services	2,809,387	1,999,860	4,199,000
Global Marketing	18,525,522	17,894,540	31,250,000
Administration and Operations	6,521,169	6,331,268	7,890,000
Global Sales	5,595,824	5,527,144	6,406,000
Destination Development	3,011,475	2,517,009	3,392,000
Total Funds	\$50,002,921	\$38,104,821	\$75,740,000
Positions	45	45	64
FTE	45.00	45.00	63.00

Overview

The Oregon Tourism Commission (OTC), doing business as Travel Oregon, is a semi-independent agency operating under Chapters 284, 320, and 182 of the Oregon Revised Statutes (ORS). Created in 1995, OTC became semi-independent in 2003. The agency serves to drive economic growth and job creation by strengthening tourism in Oregon. The Commission is composed of nine members, appointed by the Governor. In addition to the Commission and the Chief Executive Officer, at the end of the biennium the agency operated with 45 employees and has offices in Portland and Salem.

Revenue

HB 2267 (2003) established a state transient lodging tax imposed at a rate of 1% to provide funds for the promotion of Oregon's tourism programs. ORS 320.335 authorizes the Department of Revenue (DOR) to collect and retain up to 2% of gross tax for administrative expenses. DOR reports and distributes revenues to OTC monthly. In addition to the transient lodging tax, OTC also receives revenues from the Governor's Conference on Tourism attendee registration and sponsorship fees, and the Welcome Center Brochure program.

*According to the financial review for the biennium ended June 30, 2017 conducted by Aldrich CPAs and Advisors, OTC currently has about \$12,785,754 in future programming and fund reserves, of which \$9,428,633 (73.7%) is non-discretionary and allocated for distribution through the statutorily required Regional Cooperative Tourism Program (RCTP) and Competitive Grants Program, and \$3,357,121 (26.3%) is discretionary strategic Immediate Opportunity Fund, Marketing and Sales Development program funding, and operating reserve:

Regional Cooperative Tourism Program	6,285,755
Competitive Grants Program	642,878
Competitive Large Grants Program	2,500,000
Immediate Opportunity Fund	505,500
Marketing and Sales Development	1,280,182
Operating Reserve	1,571,439
TOTAL Future Programming and Fund Reserves	\$12,785,754

HB 4146 (2016) increased the transient lodging tax rate from 1% to 1.8% for the period July 1, 2016 to July 1, 2020. On July 1, 2020, the rate goes to 1.5%. According to the Legislative Revenue Office, the new higher rate is expected to generate an additional \$12.7 million in the 2015-17 biennium and \$27.4 million in the 2017-19 biennium after allowance for collection costs. The agency 2019-21 budget will decrease when the state lodging tax rate is reduced in 2020. The estimated impact of that reduction on OTC programs has not been estimated for this report.

Reporting Requirements and OTC Programs

ORS 284.148 requires OTC to submit a report to LFO by October 1st of each year that identifies funds received by OTC from state lodging tax. OTC reported the following numbers which LFO verified with the Department of Revenue.

- *Transient Lodging Tax Receipts*

Prior to July 2015, OTC received funds from DOR on a quarterly basis. For the 2013-15 biennium, OTC received \$28,980,792 in actual state transient lodging tax revenues. OTC reported the following actual quarterly revenue receipts from DOR:

Quarter	Actual
July 2013 – September 2013	3,506,500
October 2013 – December 2013	5,043,391
January 2014 – March 2014	2,948,896
April 2014 – June 2014	1,973,206
July 2014 – September 2014	3,900,418
October 2014 – December 2014	5,598,417
January 2015 – March 2015	2,975,215
April 2015 – June 2015	3,034,749
TOTAL	\$28,980,792

For the 2015-17 biennium, OTC budgeted \$51,005,525 in revenues from transient lodging tax, and received \$50,236,124 in actual transient lodging tax revenues. OTC reported the following actual revenue receipts from DOR by region:

Region	2015-16 Actual	2016-17 Actual
North, Central, and South Coast	3,976,687	6,540,296
Willamette Valley	2,288,184	3,995,979
Portland Metro	8,008,903	13,014,571
Southern Oregon	1,632,468	2,620,852
Central Oregon	1,854,297	3,185,032
Mount Hood/Columbia River Gorge	799,004	1,116,979
Eastern Oregon	641,890	986,748
DOR Admin Fees & Other Adjustments	(394,085)	(734,827)
DOR Admin Fee Adjustment		186,254
Transient Lodging Tax Accrual		516,894
TOTAL Transient Lodging Tax	\$18,807,347	\$31,428,777

For the 2017-19 biennium, OTC projects \$76,567,086 in revenue from lodging tax. OTC reported the following actual and projected revenue receipts from the state lodging tax:

Region	2017 -18 Actual	2018-19 Budgeted
North, Central, and South Coast	8,138,605	8,589,864
Willamette Valley	4,492,279	4,741,361
Portland Metro	15,204,673	16,047,723
Southern Oregon	3,209,402	3,387,353
Central Oregon	3,802,917	4,013,777
Mount Hood/Columbia River Gorge	1,437,465	1,517,168
Eastern Oregon	1,360,544	1,435,981
DOR Admin Fees and Other Adjustments	(387,731)	(794,353)
Reversal/Accrual	758,932	(388,874)
TOTAL Transient Lodging Tax	\$38,017,086	\$38,550,000

Prior to the 2017-19 biennium, ORS 284.131 required OTC to spend transient lodging tax revenue as follows:

- At least 80% must be used to fund state tourism marketing programs.
- As much as 15% must be distributed to regional cooperative tourism programs using a regional allocation formula that distributes revenue to regions in proportion to the amount of lodging tax revenues collected in each region.

Starting with the 2017-19 biennium, ORS 284.131, as modified by HB 4146 (2016), requires OTC to spend transient lodging tax revenue as follows:

- At least 65% must be used to fund state tourism programs. HB 4146 (2016) removes the provisions that funds can only be used for marketing programs.
- 10% must be used for a competitive grant program which may include tourism-related facilities and tourism-generating events, including sporting events.
- 20% must be used to implement a regional cooperative tourism program using a regional allocation formula that distributes revenue to regions in proportion to the amount of lodging tax revenue collected in each region. OTC is mandated to base grant awards on demonstrated return on investment, geographic equity, and community support.

To provide some predictability to the regional entities designated to develop and execute plans for use of state lodging tax dollars, OTC determines RCTP grant awards based on prior calendar year transient lodging tax collections and disburses the state lodging tax during the following fiscal year.

ORS 284.126 requires the Oregon Tourism Commission (OTC) to file copies of the agency's adopted or modified budget, and financial statements, with the Legislative Fiscal Officer not later than five days after these documents are prepared or adopted. To comply with this statute, for this review cycle, OTC submitted:

- 2016-17, and 2017-18 Annual Reports
- 2015-17 Profit & Loss Budget V. Actual statement
- 2015-17 Financial Review
- 2015-17 and 2017-19 Adopted and Amended Budgets
- 2017-19 Strategic Plan

In addition, ORS 284.148 requires OTC to include information that identifies the awards and commitments approved by OTC utilizing funds from the transient lodging tax; and additional information with respect to any grants of \$2 million or more. In compliance with this requirement, OTC submitted the following information regarding its spending of state lodging tax revenue:

- *Regional Cooperative Tourism Program*

For the 2015-17 Biennium, OTC budgeted \$6,439,636 for RCTP. During the 2015-17 biennium, as part this program, OTC awarded \$3,350,000 to the following regions:

Region	Amount
North, Central, and South Coast	650,000
Willamette Valley	450,000
Portland Metro	850,000
Southern Oregon	350,000
Central Oregon	350,000
Mount Hood/Columbia River Gorge	350,000
North Eastern and South Eastern Oregon	350,000
TOTAL RCTP	\$3,350,000

For the 2017-19 biennium, OTC budgeted \$15,069,000 for RCTP.

- *Competitive Grants Program*

For the 2015-17 biennium, OTC budgeted \$3,219,818 for the competitive grants program. During the 2015-17 biennium, as part of its competitive grants program, OTC received 50 applications requesting a total of \$1,408,582 in grant funding. OTC awarded 20 grants totaling \$485,000 (1% of 2014-16 state lodging tax receipts of \$34,315,147) to the following organizations:

Organization	Amount
Central Oregon Air Service Team (COVA)	20,000
City of Redmond	7,500
City of St. Helens	40,000
Community Service Center, University of Oregon	25,000
Discover Klamath Visitor and Convention Bureau	5,000
Eastern Oregon Visitors Association - Path of Totality	30,000
Eastern Oregon Visitors Association - Agritourism Marketing Plan	46,450
Emerald Art Center	10,000
Friends of the Oregon Caves & Chateau	75,000
Greater Bandon Association	5,000
Joseph Center for Arts and Culture	6,300
Klamath Trails Alliance	50,000
Lan Su Chinese Garden	15,000
Lincoln City Visitors & Convention Bureau	6,500
Main Street Oregon City	50,000
Oregon Trail Preservation Trust	22,000
Portland Center Stage	13,750
Portland Japanese Garden	22,500
Tillamook Forest Heritage Trust	25,000
City of Gold Beach	10,000
TOTAL Competitive Grants	\$485,000

For the 2017-19 biennium, OTC budgeted \$7,534,000 for its Competitive Grant Program.

- *Competitive Large Grants Program*

Competitive Grants of \$2 million or more anticipated in the 2017-19 biennium budget includes \$5 million to Oregon21 to host the International Association of Athletics Federation (IAAF) World Championships, as approved at the December 5, 2017 Commission Meeting. OTC further chose to designate \$2.5 million dollars from the 2017-18 fiscal year and an additional \$2.5 million dollars over the course of the 2017-19 biennium to initially fund this program. This award totaling \$10 million to Oregon 21, based in Eugene, will support a 10-day world competition for track and field.

Competitive Large Grant applications are for grants greater than \$100,000 and must demonstrate at least a 50% cash match. Large grant awards are intended to create statewide impacts or impact multiple regions. Eligible projects must provide for the improvement or expansion of the tourism economy in Oregon by showcasing the state on a national or global stage or as a world-class asset. Eligible projects may be funded over more than one biennium. OTC Competitive Large Grants are only made eligible at the discretion of the Oregon Tourism Commission. At its public meeting on Tuesday, Oct. 3, 2017, OTC voted to open their Competitive Large Grants program for applications. During a meeting of the Large Grants Review Committee on Nov. 27, 2017, it was determined that out of 15 applications received, a single applicant, Oregon 21, would move forward as a finalist to present to the Oregon Tourism Commission on December 4, 2017.

- *Wine Country License Plates Program*

SB 442 (2011) created the Wine Country License Plates. After the Oregon Department of Motor Vehicles collects payment for the cost of production of the wine country registration plates, including administrative marketing expenses, the balance of all sales for each month is transferred to OTC. The Oregon Tourism Commission is directed to distribute these funds as follows:

- 50% to be used for a matching grant program to tourism promotion agencies for the promotion of wine and culinary tourism.
- 50% to be distributed to tourism promotion agencies. Distribution of funds are required to be in proportion to the amount of acreage in each region used for wine grape production.

Sales of Wine Country License Plates began during the 2013-15 biennium, and the award programs launched in May 2015. OTC determines award amounts based on proceeds received from the Oregon Department of Transportation (ODOT) the prior calendar year. OTC administers the Wine Country License Plates Program separate from its budget. OTC retains no administrative payment or costs relative to administering the Wine Country License Plates Program.

OTC reported the following revenue information, which LFO verified with ODOT, regarding the Wine Country License Plates Program:

2013-15 Proceeds from the Wine Country License Plates Program

Fiscal Year 2013-14	Fiscal Year 2014-15	2013-15 Biennium Total
\$193,151	\$263,136	\$456,287

2015-17 Proceeds from the Wine Country License Plates Program

Fiscal Year 2015-16	Fiscal Year 2016-17	2015-17 Biennium Total
\$281,939	\$347,143	\$629,082

2015-17 Wine Country Tourism Promotion Awards – During the 2015-17 biennium, OTC distributed a total of \$367,865 (49.83% of \$738,224 in available Wine Country License Plates Program proceeds) to tourism promotion agencies representing the following four regions:

Organization (Region)	Award Amount
Willamette Valley Visitors Association (Region 1 - Mid)	208,887
Willamette Valley Visitors Association (Region 2 - Willamette)	68,857
Southern Oregon Visitors Association (Region 3 - South)	57,551
Eastern Oregon Visitors Association (Region 4 - East)	32,570
TOTAL	\$367,865

2015-17 Wine Country Matching Grant – During the 2015-17 biennium, OTC received 28 applications requesting a total of \$459,490 in Wine Country Matching grant funding. OTC awarded 17 grants totaling \$234,982 (31.83% of the \$735,730 in available Wine Country License Plates Program proceeds) to the following organizations:

Organization	Award Amount
Yamhill County Wineries Association (dba Willamette Valley Wineries Assoc.)	40,000
Heart of Willamette Winery Association	2,500
Mid-Columbia Economic Development District	3,000
Travel Yamhill Valley	20,000
Travel Lane County	9,905
Oregon Wine Board	43,667
Chehalem Valley Chamber of Commerce (dba Oregon Wine Education Center)	12,500
Eastern Oregon Visitors Association	10,000
Cottage Grove Area Chamber of Commerce	2,500
Eola-Amity Hills Winegrowers Association	20,000
Southern Oregon Visitors Association / Travel Southern Oregon	10,000
Aurora Colony Historical Society	20,910
Oregon Brewers Guild	2,717
North Willamette Vinters Association	2,500
Oregon Cheese Guild	16,500
Travel Salem	10,000
Lincoln City Visitors Bureau	8,283
TOTAL	\$234,982

Budget Environment

- *Global Strategic Partnerships*

The Global Strategic Partnerships (GSP) team’s duties includes the administration of the Wine Country License Plates, Regional Cooperative Tourism Program, and Competitive Grants programs. In addition, the team is responsible to convene an annual Oregon Governor’s Conference on Tourism. The team works to develop strong partnerships with local businesses and international organizations by leveraging state resources to improve consumer reach and marketing channels, as well as offering industry partners training in public relations, online content development, social media strategies, and increasing international tourism. The GSP division allocates 56% of its total budget for the RCTP program and 28% for competitive grants. Of the remaining 16% of the GSP budget, 41% is budgeted for sponsorships and partnerships (Brand USA, ORLA, OSA), 34% for payroll.

- *Global Marketing*

The Global Marketing (GM) team uses consumer research and market trends to develop advertising campaigns that inspire travel from high yield consumers in key drive and fly markets. The Global Marketing Department teams are clustered around creative services, communications, integrated and digital content, marketing insights, research, and visitor services. Like all other OTC departments, the Global Marketing team serves as a resource for industry partners. The team oversees the TravelOregon.com website, the Oregon Tourism Information System, as well as the seven State Welcome Centers. More than 41% of the GM budget is in support of consumer advertising campaigns, including production and media buys.

- *Administration and Operations*

The Administration and Operations team functions to serve the agency staff, vendors, and industry partners through accounting, human resources, facilities management, procurement, and contracting, as well as general organizational support. This budget area also includes the CEO and CSO and their support staff. The Administration and Operations division allocates 47% of its total budget for payroll; the remainder is for facilities (including office leases), IT and other general organizational administration.

- *Global Sales*

The Global Sales team work with international tour operators and media in Oregon's key target markets (Europe, Asia, Oceania, and North America) to increase international inbound group and leisure travel to Oregon. OTC's global sales efforts include focusing on shoulder and low seasons, as well as increasing winter flight capacity, and monitoring growth in emerging markets. The Global Sales division allocates 32% of its total budget to payroll; 31% to in-country representation and promotions (including work with Brand USA); and 16% tradeshow.

- *Destination Development*

The Destination Development team collaborates with Oregon communities and businesses to realize their tourism potential and better participate in Oregon's growing tourism industry, including working with partners to develop sustainable tourism economies in outdoor recreation, bicycle tourism, and culinary and agritourism. The Destination Development division allocates 58% of its total budget to payroll, as this team's staff develop and lead programs across the state.

