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House Committee on Emergency Management, General Government, and Veterans
Oregon State Capitol
900 Court Se. NE
Salem, OR 97301

RE: House Bill 3556

Dear Chair Tran, Vice-Chair Grayber, Vice-Chair Lewis, and Members of the House Committee on Emergency Management, General Government, and Veterans:

On behalf of the City of Lebanon, we respectfully submit this testimony in strong support of HB 3556. This bill provides much-needed flexibility in the use of local transient lodging tax (TLT) funds by allowing "tourism-impacted services"—such as public safety (police) and community infrastructure (transportation, parks, trails, and public amenities)—to be included in the restricted 70% portion of TLT revenue.

Since the state's preemption on local transient lodging taxes was enacted in 2003, cities like Lebanon have struggled to balance the needs of both residents and the growing tourism industry. Under current legal interpretations, TLT revenues must primarily be directed toward tourism promotion and tourism-related facilities, leaving local governments with limited resources to address the actual impacts of tourism. This rigid framework fails to account for the increased strain on essential services that directly support both tourists and residents.

The Impact on Lebanon

Lebanon, like many Oregon cities, experiences a significant influx of visitors throughout the year, particularly during major events and peak recreational seasons. For example, during the annual Strawberry Festival, the city incurred significant costs in tourism-related services:

- **Police:** \$13,910 in overtime costs, based on 2024 salary/benefit rates, to support public safety over the four-day event.
- **Public Works:** 256 regular hours totaling \$23,664, plus 149 overtime hours amounting to \$19,614, for a total expenditure of \$43,278.

This surge in tourism places additional pressure on our community's infrastructure and public safety services:

- **Increased Public Safety Demands:** Our law enforcement agencies experience a noticeable rise in call volumes during peak tourism periods. Emergency response services are stretched thin, as incidents involving non-residents increase, diverting resources from local residents.
- **Infrastructure Strain:** Roads, trails, and public spaces endure heavier usage, leading to accelerated wear and tear. Maintaining these critical assets for both tourists and residents is a growing challenge with limited local funding.
- **Trail System Maintenance Needs:** The City's trail system is a significant tourism draw, yet it does not currently qualify as a tourism-related facility under existing funding restrictions. HB 3556 would provide the necessary flexibility to allocate funding for maintaining these vital community assets that attract visitors and support local economic growth.

Why HB 3556 is Necessary

HB 3556 is a pragmatic solution that ensures transient lodging tax revenue is used to sustain and enhance tourism while also addressing its impacts on local communities.

- **Voter Support:** A 2024 public opinion poll found that over 70% of voters support changing the law to allow a greater portion of TLT revenue to fund vital city services. This change reflects a balanced approach to supporting tourism while protecting community well-being.
- **Addressing Infrastructure Deficits:** Lebanon's 2018 TSP describes funding for "a 20-year funding estimate" to be a sum of the City (primarily), "County, and State, via grants and other mechanisms." While the City "expects to have approx. \$27 million," that amount is well below the estimated \$197 million to complete all the proposed improvements by the year 2040. Expanding TLT fund eligibility to cover these essential services would help alleviate these growing financial pressures.
- **Enhancing Public Safety:** During peak tourism periods and events in Lebanon, public safety staffing needs face significant additional pressures. The influx of tourists greatly increases the demands placed on local law enforcement and emergency services. With many non-residents visiting, there is often a rise in incidents that require police attention, which can strain existing resources. Local authorities must carefully plan and allocate resources to ensure the safety of both residents and visitors. This challenge often necessitates increased staffing, additional training for personnel, and the implementation of proactive strategies to maintain order and responsiveness during busy times. Effectively managing these staffing needs is crucial for upholding public safety and enhancing the overall experience for tourists in Lebanon.
- **Adapting to Changing Tourism Patterns:** With the rise of vacation rentals through Airbnb and VRBO, tourism is spreading beyond traditional hotel districts and into residential neighborhoods. This shift increases strain on infrastructure and public safety services in areas that do not directly benefit from existing tourism-focused TLT spending.
- **Outdoor Recreation Pressures:** Parks are funded through the city's general funds, but property tax restrictions imposed by Measures 5 and 50 have created a structural deficit in the City of Lebanon's general fund. As a result, there have been cuts to the parks and maintenance staff, leading to an increase in deferred maintenance on our largest tourism-based assets—our parks and trails system. By providing more flexibility in the Transient Lodging Tax (TLT) fund, we could secure additional funding to support and maintain our tourism industry in Lebanon.

Conclusion

HB 3556 offers a common-sense, fiscally responsible adjustment to the use of transient lodging tax revenue. By broadening the definition of allowable expenses to include "tourism-impacted services," this bill ensures that local governments can maintain the essential services that make Oregon a welcoming destination while protecting the long-term sustainability of our communities.

We urge you to support HB 3556 and move the bill to the House Revenue Committee for further discussion. Thank you for your time and consideration.

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Respectfully,



Ron Whitlatch
City Manager