

Support for HB 3962-2: Enhancing Local Flexibility in Lodging Tax Allocation

Background

Oregon’s lodging tax laws (ORS 320.350) require that 70% of local lodging tax revenue be used for tourism promotion and tourism-related facilities, while only 30% can be used for general purposes. However, in high-tourism cities like Seaside, the impact of tourism extends beyond hotels and visitor attractions—it places significant strain on essential infrastructure and public safety services, including:

- **Roads** – Increased wear and congestion from millions of annual visitors.
- **Water & Wastewater Systems** – Higher demand for clean water and wastewater treatment, especially during peak seasons.
- **Public Safety (Police, Fire, EMS)** – Increased emergency response needs due to a higher volume of visitors.

Yet, current law limits the ability of cities to invest lodging tax revenues into maintaining and upgrading these essential services, even though they are directly impacted by tourism.

70% of voters in a 2024 public opinion poll also agree that the law should be changed to allow a larger portion of the tax revenue to be used to fund these vital city services.

Seaside is Committed to Supporting Tourism

Seaside fully understands the importance of tourism to its economy and has invested heavily in promoting and maintaining a vibrant visitor experience. The city has built a \$11 million surplus from its lodging tax revenues, growing by \$1 million annually, demonstrating that our tourism funding far exceeds what is required under the current law.

Additionally, while Seaside’s peak tourism season is in the summer, visitors come year-round, putting continuous pressure on roads, water, public safety, and emergency services. These essential services must be maintained and upgraded regularly to support both peak and off-season tourism.

Rather than limiting our ability to maintain critical infrastructure and public safety services used by tourists and residents alike, HB 3962 would allow Seaside and other cities to responsibly reinvest funds where they are most needed—without sacrificing tourism promotion.

Why HB 3962-2 is Necessary

1. Tourists Use Local Infrastructure and Emergency Services Year-Round

- While the summer season draws the largest crowds, Seaside sees steady visitation throughout the year, meaning roads, water systems, and public safety services are constantly in demand.
- Current lodging tax restrictions ignore the ongoing impact of tourism on essential infrastructure and emergency response services.

2. Public Safety Costs Rise with Tourism

- Increased visitor numbers mean a greater demand on police, fire, and EMS services, including:
 - More calls for service due to accidents, medical emergencies, and law enforcement needs.

- Increased need for fire and EMS response capacity in high-tourism areas.
 - Tourists unfamiliar with the area often require EMS assistance for injuries, water rescues, and other medical emergencies.
 - These services are essential to the visitor experience yet cannot currently be funded with tourism promotion revenue.
3. **Local Governments Need Flexibility**
- Cities like Seaside are forced to divert limited general funds to repair infrastructure and maintain public safety strained by tourism, while lodging tax revenue remains restricted.
 - HB 3962-2 would allow local governments to allocate a portion of lodging tax revenue to tourism-related infrastructure and public safety, ensuring long-term sustainability.
4. **Seaside Has Surplus Funds—Current Limits Are Outdated**
- With nearly \$11 million in surplus lodging tax revenue, Seaside’s tourism funding far exceeds current legal requirements.
 - The city’s continued financial strength shows that allowing flexibility in infrastructure and public safety spending will not harm tourism promotion—it will enhance it.
5. **Economic Sustainability for Oregon’s Coastal Communities**
- Tourism is a major driver of Seaside’s economy, but without reliable infrastructure and public safety services, the visitor experience suffers.
 - Investing in road, water, and wastewater infrastructure, as well as public safety services, enhances tourism’s long-term viability and benefits both visitors and residents.
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Proposed Solution

HB 3962-2 will provide local governments with the discretion to classify essential infrastructure - such as roads, water, wastewater systems, and public safety services (police, fire, and EMS) - as "tourism-impacted services," ensuring they can use a portion of the 70% lodging tax revenue for these critical needs.

By modernizing Oregon’s lodging tax regulations, we can better support the cities that sustain the state’s tourism economy while maintaining essential services for both visitors and residents.

Steve Wright

Mayor, City of Seaside

Office: (971) 601-1004

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