

HOUSE REVENUE COMMITTEE
APRIL 17, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present:

Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Witness Present:

Representative Wayne Scott, District 39
Senator Rick Metzger, District 26
Scott West, Oregon Lodging Association
Ron Gladney, Portland Benson Hotel
Oregon Lodging Association
Tourism Industry Council of Oregon
Patrick Nofield, Escape Lodging Company
David Zielke, Oregon Tourism Commission
Todd Davidson, Oregon Tourism Commission
Joe D'Alessandro, Portland, Oregon Visitor Association
Oregon Tourism Commission
Rob Drake, Beaverton Mayor
League of Oregon Cities
Ken Strobeck, League of Oregon Cities
Mark Jones, Newport Mayor
Keith Levitt, Port of Portland
Steve Schreiber, Port of Portland
Thomas Fahy, Bakker Siltronic Corporation
Kate Jackson, Ashland City Councilor
Stephanie Bailey, Klamath Falls Chamber of Commerce
Scott Derickson, City of Warrenton
Mike McCallum, Oregon Restaurant Association
Joe Benetti, Benetti's Italian Restaurant
Coos Bay Mayor
Ed Fanmeuller, Adobe Resort, Yachats
Oregon Restaurant Association
Susan Huntington, The Dalles Chamber of Commerce
Rodger Bennett, City of Florence
Wes Ryan, Lincoln City motel manager
Don Lindley, Lincoln County Commissioner
Association of Oregon Counties
Bill Cross, Oregon Association of Convention and Visitors Bureaus
Alana Odette, Central Oregon Visitors Association
Kari Westlund, Lane County Convention and Visitors Association
Jim Bernau, Willamette Valley Vineyards
Oregon Wine Growers Association

Staff Present:

Paul Warner, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Kathy Tooley, Committee Assistant

004 Chair Shetterly Calls meeting to order at 8:35 a.m.

OPEN PUBLIC HEARING ON HB 2267

018 Richard Yates Provided description (Exhibit 1) and revenue impact (Exhibit 2) for HB 2267.

060 Rep. Scott Spoke in support of HB 2267 (Exhibit 3). Discussed unemployment rate, plant closures, layoffs. Called tourism bright spot in Oregon's economy. HB 2267 promotes state's tourism industry, will increase wages, visitor expenditures, increased state local tax revenues.

150 Sen. Rick Metzger Spoke in support of HB 2267. Discussed importance to overall economic future of Oregon and the poor job Oregon currently does of promoting itself. Discussed unusual nature of request by tourism industry to tax itself to promote.

185 Scott West Spoke in support of HB 2267 (Exhibit 4) as it promotes Oregon tourism industry to be competitive nationwide. Discussed funds allotted as not competitive ranking 46, losing market share due to lack of sophistication.

251 West Discussed transition of local room tax dollars from funding tourism promotion to general fund uses.

240 West Described Multnomah County as good example of use of tourism dollars; with grand opening of convention center.

280 West Discussed premise of 1% statewide lodging tax for Oregon tourism commission; 80% to commission for marketing and program efforts; up to 15% for regional marketing cooperative programs; 5% possible reserve fund.

300 West The bill protects local resources, reinvest back into industry, Grandfather's existing dedication to local jurisdictions for tourism purposes.

320 West Future incremental increase in the tax rate requires 100% goes for tourism purposes.

340 West Described restructuring of Oregon tourism commission to meet market demands; semi-independent status. Used as pattern Visitor Development Initiative in the metropolitan area responsible for convention center and associated projects. Discussed Visitor Development Fund.

350 West Described geographic distribution and representation on tourism commission.

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010 Ron Gladney Spoke in support of HB 2267, as it benefits tourism, creates new jobs and revenues. Discussed long term economic investment vs. short term general fund fix. Described need for investment in tourism marketing.

144 Patrick Nofield Spoke in support of HB 2267. Investment creates jobs, tax base and infrastructure. Gave example of impact of a weekend guest on local economy. Tourism should be embraced as platform for reenergizing economy.

177 Rep. Hass Supportive of the bill, but concerned with technical aspect of public disclosure of public records of monies. Why exempt from disclosure under Oregon's Public records laws?

187	West	Current Oregon law pre-empts disclosure of tax revenues for specific property. Accumulated totals by county are available. Properties are accountable to Department of Revenue for taxes.
213	Rep. Hass	Does not look that narrow, when dealing with tax dollars, that information should be public. Also, a public member is not on the board?
218	West	Used a program as a model in the metropolitan area which integrated lodging properties, hospitality and public elected officials and has been embraced by private and public sector.
237		Question and discussion regarding what the Tourism Commission can do relating to acquisition of real property or an interest in real property by purchase or foreclosure
260	Rep. Verger	Budget is not subject to review and approval by the legislative assembly or emergency board is that a change?
265	West	Currently monies are from lottery, this is new; this is for creation of semi-independent agencies. Believe it's the strongest way to get monies from the DOR to the Tourism Commission. The process is still subject to public record and meeting laws and audits.
315	David Zielke	Spoke in support of HB 2267. Discussed recent ad campaign to drive economic development statewide; return on investment has been 5:1. Oregon is losing market share due to lack of advertising dollars.
334	Todd Davidson	Spoke in support of HB 2267 (Exhibits 5 and 6) as it relates to dedicated funds for statewide tourism marketing. Discussed tourism marketing program and loss of market share.
351	Davidson	Discussed advertising documentation and independent research by Runyan and Associates. Discussed ECONorthwest independent review of Runyan and Associates research findings and methodology requested by state economist. ECONorthwest finding that research was strong, credible and estimates conservative. Discussed economic stimulus estimates by increasing investment in tourism.
400	Joe D'Alessandro	Spoke in support of HB 2267. Tough times need bold steps, this bill would help stimulate the economy. Discussed visitor development initiative to fund projects such as expansion of Oregon convention center, and other facilities. Submitted letter from Vera Katz (Exhibit 7).

TAPE 129, SIDE B

20	Rob Drake	Spoke in opposition to HB 2267. Suggests elimination of preemption of local decisions to improve the bill.
087	Ken Strobeck	Spoke in opposition to HB 2267, (Exhibit 8). Discussed support for 1% statewide room tax for tourism promotion. Opposed preemptive authority and re-configured Tourism Commission.
150	Strobeck	Opposed pre-emption of local authority, discussed specific negative impact examples from Depot Bay, Yachats, and Boardman.
283	Strobeck	Discussed technical aspects of the bill.

362 Mark Jones Spoke in opposition to HB 2267. Infrastructure costs not addressed. Supports HB 2267 for 1% sales tax for tourism promotion and economic development jumpstart. The bill limits communities from being able to cope with additional tourists. Recommended amendment to remove preemptions would promote Oregon business.

479 Rep. Scott 1.7 million visitors, where did they stay?

488 Jones Hotels, motels, RV spots up and down the cost; calculated at least 1 million stayed in Newport.

492 Rep. Scott According to the Runyon Report, Newport collects a 7% tax with \$1 million collected last year, \$420,000 put back into tourism advertising, \$580,000 went to general funds?

500 Jones Answered affirmatively placed in general fund to support tourism.

503 Rep. Scott Discussed possible statistical error in occupancy tax collection reporting.

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036 Jones Did not have information available to discuss.

038 Questions and discussion regarding resident property tax valuations and what services it pays for vs. taxes paid by lodging taxes.

043 Rep. Scott Discussed "Interested Parties Memo" from Ken Strobeck (Exhibit 9) with a letter from Gregory Chaimov, Legislative Counsel which found errors as regards Section 18(1), (5); 20(2) (4), (Exhibit 10).

103 Discussion regarding property tax rates, values and uses in fair share payment of services.

124 Rep. Scott Occupancy taxes differential is collected to offset additional costs not paid for in property tax system and businesses and private homes?

130 Strobeck No, principle that requires a dollar for dollar allocation and what they are spent on, that's what public hearing process is for.

138 Rep. Scott Thought you said earlier that you would like to have the preemption so you can collect for additional costs from folks that increase those costs?

142 Strobeck Tourists have an impact on communities. The general fund portion for hotel/motel tax would be used for the impact of services on a community.

126 Rep. Scott You have several millions coming in as visitors, same people cause stress.

150 Strobeck Welcome visitors but don't have mechanism other than room tax to pay for impacts.

169 Strobeck Tourism commission members receiving state benefits; language is clear and states members of the Commission and employees are eligible to receive the same benefits as state employees, this opinion merely says if they don't meet 600 hour test would not be eligible for PERS, does not discuss health and life insurance, and PEBB system participation. If they do incur over 600 hours there is nothing to prevent participation.

181 Strobeck Use of word foreclosure is problematic; why not just say by purchase rather

than foreclosure, there is implication of coercion.

- 206 Rep. Farr Are there any businesses that would exist in your city without 1.7 million tourists?
- 213 Jones I am sure there are many that would not exist. This is not to say that Newport is against tourism.
- 210 Rep. Farr People working there would not exist if not for tourists. Businesses and people pay property taxes. Tourism industry compounds property taxes for general fund?
- 213 Jones Answered affirmatively.
- 190 Mayor Drake Discussed costs of employing police officer to respond to tourism.
- 230 Keith Levitt Spoke in support of HB 2267, as it promotes more robust tourism to help support international air service.
- 250 Steve Schreiber Spoke in support of HB 2267 and tourism industry as it benefits business climate for promotion of non-stop international air service.
- 283 Schreiber Discussed strategies for getting and maintaining international air service; discussed travel bank.
- 361 Tom Fahey Spoke in support of HB 2267 as a company that has committed dollars to the travel bank to get Lufthansa to commit to coming to Oregon.
- 381 Fahey Discussed enticement of European leisure travelers to Oregon. European visitors are pleasantly surprised, but don't know much about Oregon. Critical to get the word out.
- 423 Kate Jackson Spoke in opposition to HB 2267; strong tourism economy based on relationship between Shakespearean Festival and Chamber of Commerce. Discussed history of 7% lodging tax as supporting regional and statewide development of tourism; strongly opposed to local preemption.

TAPE 131, SIDE A

- 102 Stephanie Bailey Spoke in opposition to HB 2267, (Exhibit 11). Estimated 60% of residents supported by tourism. This bill does not bring in more jobs; it takes money out of the jurisdiction. Supports Oregon tourism efforts, but does not support taking more out of the community to do it. What's good for metro is not necessarily good for rural Oregon. Concerned with pre-emption; money should go back into local economy rather than through questionable grant process.
- 180 Scott Derrickson Spoke in opposition to HB 2267 (Exhibit 12). Supportive of tourism, but need to be able to recover costs of services provided to those outside communities. Monies from general fund go to promotional activities.
- 221 Stephanie Bailey Important distinction regarding putting money back into the industry, 6% TOT should be used for the community, not the industry.
- 265 Joe Benetti Spoke in support of HB 2267, (Exhibit 13). This is a win-win for everyone.
- 297 Benetti Supported preemption, as not a problem if used for the promotion of tourism. Increased tourism by 30% in last 5 years. Room tax dollars pay for additional

services.

- 316 Ed Fanmeuller Spoke in support of HB 2267, (Exhibit 14). In Yachats, lodging tax does not go to fund infrastructure services.
- 385 Rep. Verger Do you feel citizens and elected people support your expenditure of tourism dollars?
- 390 Joe Benetti Yes, they support this concept.
- 402 Mike McCallum Spoke in support of HB 2267. Restaurants support tourism as they are the biggest beneficiary; local government supports tourism, but who supports Mt. Bachelor, The Gorge, Mt. Hood and the Oregon Garden? Need thriving statewide budget to support statewide attractions. Cities are ignoring other taxes collected from tourists that to pay for infrastructure such as: tobacco, wine, and lottery funds for local schools; This is one bill that provides economic stimulus.

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- 033 Susan Huntington Supports 1% statewide lodging tax as it would promote Oregon tourism; does not support lack of scrutiny by legislature and retroactive rollback of taxes that have been used to enhance parks and other services (Exhibit 15).
- 075 Rodger Bennett Supported statewide lodging tax to help the tourism industry, but opposed preemptions on local government, (Exhibit 16).
- 117 Wes Ryan For the record, Lincoln City did not enact a 2% tax last year, but a 1% tax. Described HB 2267 as a bad bill, not opposed to transient room tax, and would increase it to fund fixing Highway 18, 20, and 101, and education. Opposed to preemptive element taking control from local communities and creation of state agency that answers to no one. Saving grace for community is transient room tax.
- 130 Don Lindley Referred to written comments. (Exhibit 17). Spoke in support of the 1% transient lodging tax dedicated to tourism promotion. Opposed to preemption, feels Tourism Commission is not being handled correctly.
- 227 Chair Shetterly For the record, received a letter in opposition from Washington County, Commissioner Tom Brian (Exhibit 18).
- 232 Bill Cross Spoke in support of HB 2267.
- 240 Alana Odette. Spoke in support of HB 2267. Discussed correlation between business diversification and tourism marketing and promotion. Discussed 1993 research study by visitor industry in Central Oregon Community College.
- 260 Kari Westlund Spoke in support of transient occupancy tax to support statewide tourism and placing good policy in a protective format (Exhibit 19). Said semi-privatization is similar to what takes place at local level.
- 297 Jim Bernau Spoke in support of HB 2267. Discussed pressure on Oregon agriculture and the need for a strong Oregon brand marketing campaign. Visitors make purchases at full margins here and when they return home.
- 395 Chair Shetterly Closed Public Hearing HB 2267.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant Reviewed by Kim Taylor James

Exhibit Summary:

1. Yates, "Staff Measure Summary, HB 2267", 1 page
2. Yates, "Revenue Impact HB 2267", 1 page
3. Scott, "Testimony HB 2267", 1 page
4. West, Scott, "Testimony HB 2267", 19 pages
5. Davidson, "Testimony HB 2267", 2 pages
6. Davidson, "DOJ Advice re: HB 2267", 3 pages
7. D'Allessandro, "Vera Katz correspondence re: HB 2267", 1 page
8. Strobeck, "Editorials regarding HB 2267", 5 pages
9. Scott, "Interested parties Memo HB 2267", 5 pages
10. Scott, "Chaimov counsel on HB 2267", 2 pages
11. Bailey, "Testimony HB 2267", 1 page
12. Derickson, "Testimony HB 2267", 2 pages
13. Benetti, "Testimimony HB 2267", 3 pages
14. Fanmeuller, "Testimony HB 2267", 1 page
15. Huntington, "Testimony HB 2267", 1 page
16. Bennett, "Testimony HB 2267", 2 pages
17. Lindley, "Testimony HB 2267", 6 pages
18. Brian "Written Testimony HB 2267", 2 pages
19. Westlund, "Testimony HB 2267", 1 page
20. Taylor, "Testimony HB 2267", 3 pages
21. West, M.S. "Testimony HB 2267", 1 page