

Support for HB 3556: 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**.

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 3556 would allow Seaside and other cities to **responsibly reinvest funds where they are most needed**—without sacrificing tourism promotion.

Why HB 3556 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 3556 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 roads, water, public safety, and wastewater services **enhances tourism's long-term viability** and benefits both visitors and residents.

Proposed Solution

HB 3556 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-related 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.

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