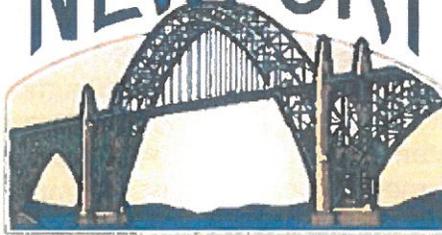


NEWPORT

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MOMBETSU, JAPAN, SISTER CITY

April 8, 2022

Patty Mulvihill
Interim Executive Director
League of Oregon Cities
1201 Court Street NE, Suite 200
Salem, OR 97301-4194

Don Hudson, Chair
Finance and Taxation Policy Committee
League of Oregon Cities
1201 Court Street NE, Suite 200
Salem, OR 97301-4194

RE: Modifications to the Transient Lodging Tax

Dear Patty and Don:

On Monday, April 4, 2022, the Newport City Council unanimously approved a motion to request that the League of Oregon Cities and its Finance and Taxation Policy Committee advocate for a change of how transient lodging tax is used.

The transient lodging tax (TLT) is an important source of revenue for cities and counties that rely on tourism as a significant source of employment and industry for their communities. While a community such as Newport has just over 10,000 residents, the City is required to support infrastructure to accommodate two or three times its population on any given summer day. This means more miles of roads, more law enforcement, and more medical emergencies, than a typical community of our size. The burden of supporting these services falls heavily on our residents.

Under current state law, 70 percent of the taxes collected though TLT must be used for tourism promotion, tourism-related facilities, or to finance or refinance the debt on tourism-related facilities. Local governments can allocate up to 30 percent of the TLT for general city or county services. Prior to 2003, allocation of the TLT was designated by local governments, with some communities like Depoe Bay utilizing 100 percent of the TLT that was put in place for general government services.

The City of Newport is requesting that the League advocate for redefining the eligible expenditures for the tourism portion of the TLT (70 percent) to include spending up to 50 percent of those funds on roads and public safety.

The argument for using a portion of these funds for transportation needs is based, in part, on the way the Oregon Department of Transportation allocates state collected gas tax from local governments. Currently, the allocation is based on population. While the City of Newport, which

is heavily impacted by tourism, has a population of just over 10,000 residents, a similar community of 10,000 people would receive the same per capita allocation for transportation funds, even though the City of Newport may have twice the number of miles of roads to service for its heavily-used road system. In our case, 10,000 residents are put in a position where they are required to support a road system that has been developed to service the tourism industry, as well as the residential and commercial needs of our community. This inequity can partially be addressed by allowing the use of the tourism portion of the TLT to pay for roads and transportation.

Unlike water and sewer utility services, which are funded through utility rates, the burden of public safety expenditures is supported through our General Fund, placing a majority of the burden on the local taxpayers. In addition, public safety departments in tourism communities have to be sized not only for the residents and business populations, but also the high number of tourists that visit these communities. The City Council is requesting that the League advocate for using a portion of the TLT for public safety purposes, as well.

The City Council also recognizes that there is a need for marketing tourism to help sustain and build the tourism business in these communities. The City Council is proposing that legislation limit the use of the tourism portion of the TLT to up to 50 percent for roads and public safety. This still leaves a sizeable amount for marketing activities from the TLT to promote tourism.

The City Council believes that roads and public safety are clearly impacted by the tourists that utilize our roads and require services from police and fire, and that these expenditures should be supported, to a greater extent, by the TLT.

We will be sharing this concept with other tourism communities to see if there is additional support for moving forward with this type of legislation for the 2023 session. If we can provide any additional information, please feel free to contact us.

Respectfully submitted,



Dean H. Sawyer, Mayor



Spencer R. Nebel, City Manager

cc: Newport City Council
Mark Gharst, Lobbyist
Finance and Taxation Committee