

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1301
Appropriations

(Delegate Smith)

Budget and Taxation

Baltimore City – Visit Baltimore – Appropriation Calculation

This bill alters the calculation for Baltimore City’s annual appropriation to Visit Baltimore from city hotel tax revenue. The calculation must be based on the average of the actual hotel room tax receipts received from the immediately preceding three-year rolling average rather than from the actual receipts for the completed fiscal year. The bill also extends from fiscal 2022 until 2027, the required distribution to Visit Baltimore. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: None.

Local Effect: Distributions to Visit Baltimore will continue through FY 2027. The amount of the annual distribution will depend on actual hotel tax revenues generated in each year. General fund revenues for Baltimore City decrease by the same amount through FY 2027.

Small Business Effect: None.

Analysis

Current Law: Baltimore City imposes a hotel tax rate of 9.5%. At least 40% of hotel tax revenues must be distributed to Visit Baltimore for the marketing and operations of the convention center and tourism promotion. If revenue from a prior fiscal year differs from the budgeted amount, Visit Baltimore receives 40% of this difference during the next fiscal year. The required distributions from hotel tax revenue to Visit Baltimore terminate at the end of fiscal 2022.

In addition, hotel tax revenue generated by the Convention Center Hotel are reserved to pay for the debt service on the hotel. Baltimore City completed its final debt service payment for the hotel in fiscal 2020.

Local Fiscal Effect: Distributions to Visit Baltimore will continue through fiscal 2027. The actual amount of the annual distribution cannot be reliably estimated and will depend on actual hotel tax revenues generated in each year. **Exhibit 1** shows the allocation of city hotel tax revenues for fiscal 2019 through 2021. As shown in Exhibit 1, the city’s fiscal 2021 budget assumes \$21.3 million in hotel tax revenues, which is a decrease of \$12.3 million, or 36.6%, from the fiscal 2020 budget estimate. The Baltimore City budget for fiscal 2021 indicates that prior to the COVID-19 pandemic, the performance of the lodging and tourism industry was strong. During calendar 2019, city hotels averaged a 64% occupancy rate, which was 1.3% higher than 2018. Occupancy rates at the beginning of March 2020 averaged 25.9% but were only 5% by the end of that month as a result of the COVID-19 pandemic.

Exhibit 1
Baltimore City Hotel Tax Revenue and Distributions
Fiscal 2019-2021

| | FY 2019 | FY 2020 | FY 2021 |
|--------------------------------|----------------------|----------------------|------------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Estimate</u> |
| Hotel Tax Revenue | \$33,016,708 | \$33,662,625 | \$21,328,915 |
| Convention Center Debt Service | 4,562,625 | 4,562,625 | 0 |
| General Fund Subtotal | \$28,454,083 | \$29,100,000 | \$21,328,915 |
| Convention Center Hotel | \$3,059,000 | \$3,430,690 | \$7,963,000 |
| Visit Baltimore | 13,206,683 | 13,169,020 | 7,767,843 |
| Net General Fund | \$12,188,400 | \$12,500,290 | \$5,598,072 |

Source: Baltimore City FY 2021 Budget

Because the distribution to Visit Baltimore is scheduled to stop at the end of fiscal 2022, Baltimore City general fund revenues will decrease by the same amount as the distribution to Visit Baltimore through fiscal 2027.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 789 (Senator McCray)(By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Baltimore City; Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2021
rh/hlb Third Reader - April 1, 2021
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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510