

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1547
Ways and Means

(Delegate Eckardt)

Budget and Taxation

Dorchester County - Hotel Surcharge - Chesapeake Bay Conference Center

This bill authorizes a hotel surcharge of 2.5% to be imposed in Dorchester County on the taxable price of room rentals at an establishment that has at least 380 rooms. The bill establishes the Dorchester County Economic Development Fund within the Maryland Economic Development Corporation (MEDCO).

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: MEDCO revenues would increase due to hotel surcharge revenues provided to the Dorchester County Economic Development Fund. MEDCO expenditures would increase due to payments from the fund to pay claims and bonds associated with the Chesapeake Bay Conference Center. No impact on budgeted State revenues or expenditures.

Local Effect: None.

Small Business Effect: Minimal overall. Small businesses that have outstanding claims against MEDCO could be positively affected.

Analysis

Bill Summary: The bill requires the fund to be used to complete the Chesapeake Bay Conference Center project and to satisfy the full and final settlement of pending construction claims related to the project and any bonds issued in connection with those

claims. The bill requires MEDCO to manage and administer the fund on terms and conditions acceptable to MEDCO and the Department of Business and Economic Development (DBED). The fund is a continuing, nonlapsing fund consisting of revenues from the hotel surcharge.

MEDCO is authorized to pledge the fund to pay MEDCO bonds issued to satisfy the full and final settlement of the pending construction claims associated with the conference center. The bill provides that the hotel surcharge may not be imposed if the bonds secured by the fund have been paid in full.

The Comptroller is required to account for and collect for the fund and disburse funds to the trustee maintaining the fund for MEDCO. Any investment earnings of the fund must be paid into the fund.

Current Law: The State's 5% sales and use tax applies to hotel rentals. There are no areas in Maryland with a hotel surcharge. However, Ocean City is authorized to impose a 1% tax surcharge on food and beverages sold at restaurants and bars within city limits. The additional tax revenue is dedicated to retiring the debt on the Ocean City Convention Center, and the tax surcharge sunsets when the debt is retired.

Background: The Chesapeake Bay Conference Center, also known as the Hyatt Regency Chesapeake Bay Golf Resort, Spa, and Marina, is located in Cambridge, Dorchester County. The Hyatt Regency hotel is a 400-room luxury, destination hotel with 35,000 square feet of meeting and banquet space, six food and beverage outlets, an 18-hole golf course, a 150-slip marina, an 18,000 square foot spa, and an extensive indoor/outdoor pool and children's recreational center.

MEDCO was created by the General Assembly in 1984 (Chapter 498) to develop vacant or unused industrial sites and facilities and other economic resources. MEDCO currently operates in economically distressed areas of the State and helps State and local economic development agencies to expand, modernize, and retain businesses, and attract new ones. MEDCO is a public corporation that issues bonds to complement the financing assistance provided by State agencies. However, bonds issued by MEDCO are not a debt of the State nor is repayment a moral or legal obligation of the State. Examples of MEDCO projects include construction of manufacturing plants for Human Genome Sciences, Inc. in Rockville and General Motors in Baltimore County, Roland Park Country School in Baltimore City, and the Rocky Gap resort in Allegany County.

State Fiscal Effect: MEDCO revenues would increase due to the hotel surcharge revenue generated by the 2.5% tax on the taxable price of room rentals at the Hyatt Regency. Any amount of hotel surcharge revenue generated would depend on rates

charged for rooms and the actual occupancy rate at the Hyatt Regency. For illustrative purposes only, assuming the taxable room rental revenue at the Hyatt Regency is \$17.5 million annually, the hotel surcharge would generate approximately \$438,000. This estimate assumes a room rental rate of \$200 and a 60% occupancy rate.

MEDCO expenditures would increase to pay construction claims and bonds issued in anticipation of construction claims from the Dorchester County Economic Development Fund. For illustrative purposes only, assuming the outstanding debt for the construction claims and bonds issued in anticipation of those claims was approximately \$6.8 million, annual revenues of approximately \$438,000 from the hotel surcharge could cover the debt service costs of the bonds if the bonds were issued at an interest rate of 4% and a term of 25 years.

The Comptroller's Office would collect and remit the hotel surcharge to the fund on behalf of MEDCO. The Comptroller's Office advises that it could handle the requirements of this bill with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Dorchester County, Department of Business and Economic Development, Comptroller's Office, Department of Legislative Services

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