

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 529

(Senator Elfreth)(By Request - Anne Arundel County
Administration)

Budget and Taxation

Ways and Means

Anne Arundel County - Hotel Tax Alterations - Distribution of Revenue

This bill requires the City of Annapolis to allocate 3% of hotel tax revenues to both the Annapolis Art in Public Places Commission and the Affordable Housing Trust Fund. The City of Annapolis and Anne Arundel County are required to establish special funds for the distribution of hotel tax revenues to certain community organizations. The bill also establishes reporting requirements and oversight of the hotel tax revenues provided to certain community organizations. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: None.

Local Effect: General fund revenues for the City of Annapolis decrease by approximately \$112,600 annually beginning in FY 2022. Special fund revenues and expenditures for the Annapolis Art in Public Places Commission and the Affordable Housing Trust Fund each increase by approximately \$56,300 beginning in FY 2022. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Minimal.

Analysis

Bill Summary: The City of Annapolis is required to allocate 3% of hotel tax revenues to both the Annapolis Art in Public Places Commission and the Affordable Housing Trust Fund. By November 1 each year, the Annapolis Art in Public Places Commission must report on the use of hotel tax revenue during the preceding fiscal year to (1) the Annapolis

mayor and city council; (2) the Senate Budget and Taxation Committee; (3) the House Ways and Means Committee; and (4) the members of the General Assembly representing the City of Annapolis. If the commission fails to submit the required report, the City of Annapolis may withhold special funds dedicated to the commission.

The Arts Council of Anne Arundel County and the Annapolis and Anne Arundel County Conference and Visitors Bureau must make a similar report to the Annapolis mayor and city council, the Senate Budget and Taxation Committee, and the House Ways and Means Committee by November 1 each year. The organizations are already required to submit an annual report on the use of hotel tax revenues to the Anne Arundel County executive and the members of the General Assembly representing Anne Arundel County.

The Anne Arundel County auditor is authorized to conduct an audit of the financial records of the Arts Council of Anne Arundel County or the Annapolis and Anne Arundel County Conference and Visitors Bureau. Any audit findings must be reported to the Anne Arundel County government. The City of Annapolis or Anne Arundel County may withhold special funds dedicated to the organizations if the organizations fail to submit the required report or correct any audit findings identified by the county auditor.

Current Law: Anne Arundel County imposes a 7% hotel tax that applies to hotels within the City of Annapolis. As authorized by statute, the county government has entered into an agreement whereby the City of Annapolis collects hotel tax revenues for establishments located within the city. A portion of county and city hotel tax revenues are allocated to two community organizations: 3% to the Arts Council of Anne Arundel County and 17% to the Annapolis and Anne Arundel County Conference and Visitors Bureau. **Exhibit 1** shows the amount of hotel tax revenues collected in the City of Annapolis and Anne Arundel County since fiscal 2019 and the amount of revenue distributed to the two community organizations.

Exhibit 1
Hotel Tax Revenues in the City of Annapolis and Anne Arundel County
Fiscal 2019-2021

City of Annapolis

<u>FY</u>	<u>Total</u>	<u>General Fund</u>	<u>Arts Council</u>	<u>Visitors Bureau</u>
2019	\$2,533,566	\$2,026,853	\$76,007	\$430,706
2020	1,812,500	1,450,000	54,375	308,125
2021	1,875,000	1,500,000	56,250	318,750

Anne Arundel County

<u>FY</u>	<u>Total</u>	<u>General Fund</u>	<u>Arts Council</u>	<u>Visitors Bureau</u>
2019	\$17,880,558	\$14,304,446	\$536,417	\$3,039,695
2020	13,875,290	11,100,232	416,259	2,358,799
2021	15,300,000	12,240,000	459,000	2,601,000

Source: Anne Arundel County

Local Fiscal Effect: Allocating 3% of hotel tax revenues collected in the City of Annapolis to both the Annapolis Art in Public Places Commission and the Affordable Housing Trust Fund will result in an \$112,600 decrease in city general fund revenues each year. Special fund revenues and expenditures for the Annapolis Art in Public Places Commission and the Affordable Housing Trust Fund will each increase by approximately \$56,300 each year.

In addition, the bill requires that the annual distributions to the Annapolis Art in Public Places Commission, the Arts Council of Anne Arundel County, and the Annapolis and Anne Arundel County Conference and Visitors Bureau be made to special funds through the city and county budget appropriation process. Anne Arundel County advises that this approach will add an additional level of oversight over the use of the hotel tax revenues.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 901 (Delegate Bartlett)(By Request - Anne Arundel County Administration) - Ways and Means.

Information Source(s): Anne Arundel County; City of Annapolis, Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2021
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