

*Andrew Klein*

FROM

NAME & TITLE	Andrew Kleine, Chief
AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Department of Finance
SUBJECT	City Council Bill No.10-0475 Exempt Bed Fee

CITY of  
BALTIMORE  
**MEMO**



TO

DATE:

April 12, 2010

Honorable President and  
Members of the City Council  
C/O Karen Randle  
Room 409, City Hall

This bill proposes a new \$350 fee on all beds at private colleges and hospitals. Each institution must pay this fee annually based on the number of beds in use at the institution.

**Analysis**

This is a new fee designed to increase the share of City support currently paid by the largest and wealthiest nonprofit institutions in the City. The institutions paying this fee do not pay real property taxes, personal property taxes or income tax to the City. Many of the customers of these institutions come from outside the City resulting in increased services that must be provided by the City. In the case of colleges, few of the students are from Baltimore City and in fact at one institution over 90% of their students are from out-of-state. The five colleges which this fee targets reported over \$4.1 billion in revenues and the eleven hospitals reported over \$5.9 billion in revenues for a total of over \$10 billion in revenue in 2008. Charitable non-profits represent \$80.1 million in exempt taxes. This equates to 24 cents of the \$2.268 rate that the citizens of Baltimore pay, one of the lowest income populations in the State.

Other states have taken similar steps to recoup some of the cost of services provided these types of institutions. In Montana, hospitals pay a \$50 utilization fee for each inpatient bed day. Similar bills have been proposed in Georgia, Montana, Mississippi, New Jersey and Oregon. Pittsburgh has proposed a head tax on college students and hospital patients. Likewise, Providence proposed a \$150 fee for full-time students to more fairly distribute the cost of local government services to tax exempt organizations

**Fiscal Impact**

It is estimated there are approximately 6,574 dormitory rooms and 4,677 hospital rooms in the City. When multiplied by \$350, the expected tax yield is \$3,937,850. The table below details the breakout for each type of institution.



FY 2011 Bed Tax Revenue	
Rate: Dormitory/Hospital	\$350/\$350
Students @ Private College Dormitories	6,574
Annual Fee per Bed	\$350
Annual Contribution to the City	\$2,300,900
Hospitals Beds	4,677
Annual Fee per Hospital Bed	\$350
Annual Contribution to the City	\$1,636,950
Total Revenue from Nonprofits	\$3,937,850

#### Recommendation

The Finance Department strongly urges the passage of this fee as it will provide the City with a significant amount of new and diversified revenue.