

Andrew Klein

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of Budget and Management Research Room 432, City Hall (410) 396-4941
	SUBJECT	City Council Bill No.13-0214 Excise Tax on Outdoor Advertising

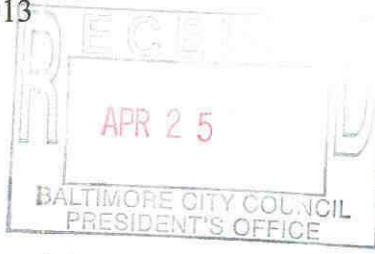
CITY of
BALTIMORE
MEMO



TO

DATE: April 25, 2013

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



This bill proposes an excise tax of \$15 per square foot on electronic outdoor advertising displays and \$5 per square foot for all other outdoor advertising displays. In Fiscal 2010, 2011 and 2012 similar bills were considered by the Council. Most recently, in 2012 the Council considered Council Bill 12-0073.

Analysis

In 2000 the City of Baltimore passed a prohibition on new outdoor advertising displays within the City limits. Since that time the number of billboards in the City has been relatively static with a small attrition due to development. The last complete compilation of billboards in the City was done in 1990 with few new outdoor advertising displays being approved by the City since.

The taxing of outdoor advertising represents an untapped tax base for the City of Baltimore. A tax levy on this untapped revenue resource would require outdoor advertisers to permit each of their signs, resulting in a new inventory of signage.

Due to current restrictions on such signage within the City, growth of the revenue from the tax will be limited to small annual increases as non-digital signage is converted to digital signage which is taxed at a higher rate. Because of increased demand for such signage, coupled with City regulations limiting new signage, this tax should provide a stable, albeit small, revenue stream well into the future.

The billboard tax is included as an initiative of the *Change to Grow* Ten-Year Financial Plan for Baltimore. The revenue from this tax is part of the overall strategy for achieving a structurally balanced budget while lowering property tax rates, increasing infrastructure investment, and better managing the city's long-term pension and retiree health care liabilities. Specifically, the billboard tax is included in the plan to help protect arts and culture funding from further cuts. The city subsidizes the operations of the Baltimore Museum of Art, the Walters Art Museum, the Baltimore Symphony Orchestra, the Maryland Zoo in Baltimore, the Baltimore Office of Promotion and the Arts, and other organizations that make the city an attraction for residents and tourists. Funding for arts and culture has shrunk from \$12.3 million in Fiscal 2009 to \$8.3 million in Fiscal 2013, and further reductions are likely if the city cannot find other ways to close large and growing budget shortfalls over the next ten years.

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Fiscal Impact

The Department of Finance estimates that there are approximately 1,500 outdoor advertising displays in the City. Utilizing available data, the Department of Finance estimates the tax will yield approximately \$1.0 million in revenue in Fiscal Year 2014. Each year thereafter, the tax is expected to generate an estimated \$1.7 million in annual revenues.

Recommendation

The Finance Department supports CC Bill 13-0214.

CC: Harry Black
William Voorhees
Angela Gibson