

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 311

(Baltimore City Delegation)(By Request - Baltimore City Administration)

Appropriations

Baltimore Convention Facility - Operating Deficits and Capital Improvement Reserve Fund

This bill extends by 10 years, to December 31, 2029, the period during which the Maryland Stadium Authority (MSA) must contribute two-thirds to the annual operating deficit of the Baltimore Convention Center (BCC). During this period, Baltimore City must continue to contribute one-third to the BCC annual operating deficit. The bill also extends the date until which MSA and Baltimore City are each obligated to contribute \$200,000 to a capital improvement reserve fund; it correspondingly extends the date after which Baltimore City is solely responsible for all operating deficits and capital improvements.

Fiscal Summary

State Effect: General fund expenditures increase by *at least* \$2.9 million in FY 2020, by *at least* \$6.0 million annually in FY 2021 through FY 2029, and by *at least* \$3.1 in FY 2030. Revenues are not affected. **This bill continues a mandated appropriation.**

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	2.9	6.0	6.0	6.0
Net Effect	\$0.0	(\$2.9)	(\$6.0)	(\$6.0)	(\$6.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: MSA’s continued contribution to BCC reduces Baltimore City expenditures for those purposes by at least \$2.9 million in FY 2020, by at least \$6.0 million annually thereafter through FY 2029, and by at least \$3.1 million in FY 2030.

Small Business Effect: None.

Analysis

Current Law: MSA is required to secure a written agreement with Baltimore City, as approved by the Board of Public Works, which includes provisions that require, for the period beginning on the completion of the expanded and renovated BCC and ending on December 31, 2019:

- MSA to contribute two-thirds and Baltimore City to contribute one-third to BCC's annual operating deficits; and
- MSA and Baltimore City to contribute \$200,000 each year to a capital improvement reserve fund.

In addition, the agreement must require Baltimore City to be solely responsible for all BCC operating deficits and capital improvements before the completion of the expanded and renovated Baltimore Convention facility and after December 31, 2019.

A similar agreement exists between MSA and the Town of Ocean City where MSA pays 50% of the Ocean City Convention Center's annual operating deficit and contributes \$50,000 annually to a capital improvement reserve fund.

Background: The current arrangement between MSA and BCC, under which the State contributes two-thirds of the operating deficit and one-half of the capital reserve fund, has been in place since 1996. Legislation in 2008 and 2013 extended the arrangement to its current date of December 31, 2019.

Maryland Stadium Authority

MSA was established in 1986 as an independent unit in the Executive Department to be responsible for the construction, operation, and maintenance of facilities for use by professional baseball and/or football teams. In 1992, legislation was enacted which assigned to the authority the responsibility for expansion of BCC. MSA's authority has since been expanded further to include a variety of State and local projects. MSA may, in fact, manage any type of construction project for local governments and State agencies upon request and approval by the General Assembly.

State Fiscal Effect: Under current law, State support of the BCC operating deficit and the State's annual \$200,000 contribution to the capital improvement reserve fund expire on December 31, 2019 (fiscal 2020). The bill extends both provisions through December 31, 2029 (fiscal 2030). Based on recent trends and MSA's projections of upcoming BCC operating deficits, MSA's support for BCC going forward is anticipated to be *at least* \$6.0 million, and up to \$8.0 million in any given year.

Under current law, MSA’s final required payment in fiscal 2020 is the \$200,000 reserve fund contribution plus a half-year payment for operating deficit support. Therefore, general fund expenditures for MSA increase by *at least* \$2.9 million in fiscal 2020 to reflect the second half-year payment for operating deficit support.

General fund expenditures for MSA increase by *at least* \$6.0 million annually thereafter through fiscal 2029 for operating deficit support and reserve fund contributions. Absent another extension, general fund expenditures conclude in fiscal 2030, with a reserve fund contribution plus a half-year payment for operating deficit support totaling *at least* \$3.1 million. Combined, the minimum estimated general fund expenditure totals \$60 million from fiscal 2020 through 2030, as shown in **Exhibit 1**.

Exhibit 1
***Minimum* Estimated General Fund Payments to BCC**
By Fiscal Year

	<u>Deficit Support</u>	<u>Capital Reserve Contribution</u>	<u>Total Annual Contribution</u>
FY 2020	\$2,900,000	-	\$2,900,000
FY 2021	5,800,000	\$200,000	6,000,000
FY 2022	5,800,000	200,000	6,000,000
FY 2023	5,800,000	200,000	6,000,000
FY 2024	5,800,000	200,000	6,000,000
FY 2025	5,800,000	200,000	6,000,000
FY 2026	5,800,000	200,000	6,000,000
FY 2027	5,800,000	200,000	6,000,000
FY 2028	5,800,000	200,000	6,000,000
FY 2029	5,800,000	200,000	6,000,000
FY 2030	<u>2,900,000</u>	<u>200,000</u>	<u>3,100,000</u>
Total	\$58,000,000	\$2,000,000	\$60,000,000

Note: Reflects half-year deficit support payments in fiscal 2020 and 2030, and the existing requirement to pay the capital reserve contribution in fiscal 2020.

BCC: Baltimore Convention Center

Source: Department of Legislative Services

Local Fiscal Effect: Baltimore City is not required to expend at least \$2.9 million in fiscal 2020, at least \$6.0 million annually through fiscal 2029, and at least \$3.1 million in

fiscal 2030 to pay the entirety of the convention center operating deficit and to maintain the capital improvement reserve fund at existing levels.

Additional Information

Prior Introductions: None.

Cross File: SB 400 (Senator Conway, *et al.*) (By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Maryland Stadium Authority; Baltimore City; Board of Public Works; Department of Legislative Services

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