

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 133 (Chair, Appropriations Committee)(By Request -
 Departmental - Stadium Authority)

Appropriations

Maryland Stadium Authority - Ocean City Convention Facility - Renovation

This departmental bill authorizes the Maryland Stadium Authority (MSA) to issue new bonds and structure financing terms for a renovation/expansion of the Ocean City Convention Center (OCCC) and makes related changes. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by \$50,000 annually in FY 2019 and 2020, and by approximately \$1,550,000 annually from FY 2021 through FY 2038. The bill does not directly affect State revenues.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	50,000	50,000	1,550,000	1,550,000	1,550,000
Net Effect	(\$50,000)	(\$50,000)	(\$1,550,000)	(\$1,550,000)	(\$1,550,000)

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

Local Effect: Town of Ocean City expenditures increase by \$14.0 million in capital contributions, and by \$50,000 to \$100,000 annually for the capital reserve fund for more than 20 years.

Small Business Effect: The Maryland Stadium Authority has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary/Current Law: In addition to minor and conforming changes, the bill makes the following substantive changes to the laws governing MSA’s financial assistance for OCCC, as summarized in **Exhibit 1**.

Exhibit 1 Convention Center Financial Support Terms Current Law vs. the Bill

<u>Agreement Provision</u>	<u>Current Law</u>	<u>The Bill</u>
MSA debt capacity	\$17.34 million	\$21.7 million
Ocean City capital construction cost contribution	\$14.7 million	\$14.0 million
MSA capital construction cost contribution	\$14.7 million	\$20.4 million
Ownership of leasehold improvements	50%/50%	58.45%MSA/ 41.55%Ocean City ¹
Annual capital improvement fund contributions by MSA and Ocean City ²	\$50,000	\$100,000
Threshold for cost savings to be returned, cost savings allocation	\$29.4 million, 50%/50%	\$34.9 million, proportionally to contributions

¹Or at such percentages as may be required for the bonds.

²Current law requires these payments to continue to be made for 20 years after MSA bonds are retired.

MSA: Maryland Stadium Authority

Source: Department of Legislative Services

Background: OCCC currently provides approximately 60,000 square feet of exhibit space, 19,000 square feet of ballroom space, and 23 meeting rooms. The ballroom and a performing arts center replaced an exhibit hall and were added in 2012 and 2015, respectively, as part of a two-phase expansion and renovation. Inquiries from groups interested in using OCCC indicate that the available space is inadequate – specifically there is not enough exhibit space. Consequently, in 2016, at the request of Ocean City, MSA procured a feasibility analysis to examine the market and economic impact of expanding the existing facility with an additional 30,000 square feet of exhibit space. That analysis estimated that incremental annual tax revenues due to the expansion range from \$736,000 to \$1.0 million at the county level and \$2.6 million to \$3.5 million at the State level. The full analysis is available on MSA’s [website](#).

State Expenditures: The fiscal 2018 capital budget included \$500,000 for the proposed OCCC project, and additional funds were preauthorized for fiscal 2019 (\$1.3 million) and 2020 (\$18.6 million). However, the Governor’s proposed fiscal 2019 capital budget *does not* include funding for the project, and there is no longer a fiscal 2020 preauthorization for \$18.6 million. Therefore, this analysis assumes that the bill facilitates the project. To the extent that some or all of the funding is provided in the capital budget, the fiscal impact of the bill decreases or is eliminated.

MSA advises that the debt service payments on the bonds that it will issue to contribute \$20.4 million to the project are approximately \$1.5 million annually beginning in fiscal 2021 and continuing through fiscal 2038. These payments are made with general funds.

The bill also requires MSA to increase its contributions to the OCCC capital improvement fund by \$50,000 annually. MSA advises that the additional contribution begins in fiscal 2019. DLS notes that the additional \$50,000 is not included in the proposed fiscal 2019 operating budget. These payments must continue to be made while MSA’s OCCC bonds are outstanding and for an additional 20 years. As the current payments would have ended after fiscal 2035 under current law, the net increase in general fund expenditures due to this requirement is \$50,000 annually from fiscal 2019 through 2035 and \$100,000 annually thereafter through the required payment period.

Local Fiscal Effect: Ocean City must contribute \$14.0 million for capital construction costs for the project, in addition to increasing its annual contribution to the capital improvement fund by \$50,000 beginning in fiscal 2019. Ocean City advises that it issued \$13.8 million in bonds in January 2018 for this purpose and that the additional capital contribution is anticipated to be included in its fiscal 2019 and subsequent budgets. Ocean City also benefits from any increase in visitor spending that occurs due to the project.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Board of Public Works; Maryland Stadium Authority; Town of Ocean City; Crossroads Consulting Services; Department of Legislative Services

Fiscal Note History: First Reader - March 12, 2018
mag/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Stadium Authority – Ocean City Convention Facility -
Renovation

BILL NUMBER: HB 133

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There could be some positive impact to small business in the local area from the construction of the expansion project.