MARYLAND STADIUM AUTHORITY
Est. 1986

Larry Hogan
Governor

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Executive Director

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Maryland Stadium Authority
Letter of Information
HB 1205 - State Government – Information Technology and Cybersecurity – Related Infrastructure (Modernize Maryland Act of 2022)

HEALTH AND GOVERNMENT OPERATIONS COMMITTEE
The Honorable, Delegate Shane E. Pendergrass, Chair
The Honorable, Delegate Joseline A. Pena-Melnyk, Vice Chair

Written Testimony, Letter of Information
Thomas Kelso, Chairman, Maryland Stadium Authority
Michael J. Frenz, Executive Director, Maryland Stadium Authority

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With respect to this proposal, our question is why us? When asked to oversee a project or perform duties on behalf of the state, our mantra has always been "We're here to serve." Previously, however, there has always been some rationale for our involvement. Our track record in delivering construction projects on time and under budget, and our skill in overseeing complex financial programs has been a source of added value to those new duties. Here, we are being asked to issue bonds and then turn the proceeds over to another state entity, which has the sole authority and responsibility in overseeing the use of those funds.

This program would add to the administrative burden of our Chief Financial Officer (CFO) without really using the talents he has demonstrated so ably over the years. Also, in previous programs for outside parties where we would need to add resources, there has been provision for payment from a third-party source. In this instance, we would need to add human resources, on at least a part-time basis, but there is no means for paying for any additional resources.

Another important question for the Maryland Stadium Authority (MSA) is whether issuance of bonds under this program would affect the ratings or pricing of future bond issuances by MSA. One of the key issues identified during this year's DLS analyst report was: Will MSA's Large Bond Program Get Even Larger? The report's author pointed out that if legislation pertaining to MSA's Camden Yards debt and to non-major league sports are passed, overall MSA debt authorizations would grow to $5.3 billion versus $10 billion outstanding at fiscal year-end 2021 for the State's general obligation bond program. This legislation would increase MSA's authorizations to $6.8 billion. This could limit investor demand for MSA bonds and so cause yields to rise and proceeds to decline for all issuances, leaving less money available for any and all projects.

Finally, with passage of this legislation in its current form, the MSA board would be asked to authorize debt issuances to pay for projects over which MSA management is not in position to attest to the need for, or provide assurance that the projects will be completed successfully. This potentially places them in a precarious position when it comes to performing their fiduciary responsibility on behalf of MSA, and the citizens of Maryland. Also, even though we at MSA have confidence in DoIT's ability to successfully oversee IT and cybersecurity projects, we are taking on reputational risk if projects are unsuccessful. Our sterling reputation for project and financial management has been painstakingly developed over 35 years, so we hate the idea of damaging that reputation through complete reliance on any third-party's ability to perform at the same high level.