SB 400

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 400 (Senator Van Hollen, et al.)
Finance and Budget and Taxation

Schools Before Stadiums

This bill prohibits the use of public funds for the construction of a football stadium or any infrastructure ancillary to a football stadium anywhere in Maryland unless all requests for school construction meeting specified criteria have been fully funded.

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Assuming that neither stadium is funded, during FY 1996-2000, general fund revenues could increase by $64.3 million, special fund revenues could decrease by $169.3 million, and special fund expenditures could decrease by $290.5 million. Additionally, special fund expenditures would decrease by approximately $6.2 million annually during FY 2001-2026 because of reduced debt service requirements. Approximately $2.8 million could be distributed to the State School Construction Program (SSCP) on July 1, 1996.

Local Effect: Assuming that neither stadium is funded, Baltimore City revenues could decrease by $622,500 annually, beginning in FY 1999. Expenditures could decrease by an indeterminate amount. Prince George's County revenues could decrease by $2.91 million in FY 1998, $5.22 million in FY 1999, and $5.68 million in FY 2000. The loss would increase through FY 2004, as the local property tax is phased in. Expenditures could decrease by an indeterminate amount.

Fiscal Analysis

State Effect: The fiscal 1997 State capital budget includes $133 million for school construction projects. However, this amount is $141 million less than requested by the local boards. If both schools and stadiums were to be funded according to this bill, expenditures could increase by up to $141 million in fiscal 1997. Given the current State budgetary situation, it is unlikely that funding would be provided for both school construction and stadiums. The following analysis assumes that neither the Baltimore nor Prince George's County stadiums would receive public funding; some of the savings outlined could potentially be put towards school construction but this is not required by the bill.

The State has committed a total of $290.5 million of expenditures toward construction and infrastructure improvements of two professional football stadiums over the next five years. The new football stadium at Camden Yards in Baltimore City will be financed by the Maryland Stadium Authority (MSA) and will cost the State $200 million for land acquisition, design, construction management, and construction, plus $20 million for debt service (fiscal 1996-2000). As reflected in **Exhibit 1**, the stadium will be constructed over a five-year period (fiscal 1996 - 2000) with a combination of revenue bonds, lottery proceeds, and other sources, such as interest earnings, MSA operating revenues, and permanent seat license (PSL) fees.

Exhibit 1
Funding Sources for the Baltimore City Football Stadium
FY 1996 - FY 2000

	With Stadium	Without
Stadium		
Net Financing Proceeds		
Revenue bonds, FY 1996	$ 86,252,000	$0
Scoreboard, FY 1998	4,640,000	0
Lottery Proceeds		
Balance as of June 30, 1995	2,800,000	2,800,000
FY 1996	20,000,000	20,000,000
FY 1997-2000*	64,289,000	64,289,000**
Savings from Refinancing Baseball Bonds	15,500,000	15,500,000
Other Revenues		
Seat license fees	5,000,000	0
Football admissions tax (FY 99-00)	5,055,000	0
Interest on construction bonds	4,029,000	0
Stadium Authority funds	12,435,000	12,345,000
Total revenues	$220,000,000	$115,024,000

* Includes $20 million for FY 1997-FY 2000 debt service requirements on the football stadium bonds.

** These revenues would likely be distributed to the general fund if the stadium was not built.

If the Baltimore City football stadium was not built, $90.9 million of MSA bonds would not be issued, and $14.1 million of revenue from seat license fees, football admissions tax, and interest on construction funds would not be generated. This would leave $87.1 million of lottery revenues (including $20 million for debt service on the football stadium bonds for the five-year period), $12.4 million of stadium operating funds, and $15.5 million of savings from the refinancing of baseball bonds which could be used for other purposes. In total, over the five-year period, $115 million of State funds would be saved.

The State also plans to spend $70.5 million from the Transportation Trust Fund during fiscal 1996-1998 to fund infrastructure improvements associated with a National Football League stadium in Prince George's County, including improvements to the Capital Beltway, State roads, county roads, and on-site improvements to parking lots, wetlands, and storm drainage. **Exhibit 2** shows the funding per year. Under this bill, these funds would remain in the Transportation Trust Fund and would become available for other uses.

Exhibit 2
State Funding for Infrastructure Improvements
for the Prince George's County Football Stadium

Transportation Funds	Funding (in millions)
Fiscal 1996	$10.0
Fiscal 1997	$57.5
Fiscal 1998	$3.0
Total Transportation Funds	$70.5

Exhibit 3 shows the total changes in revenues and expenditures that would result from this bill during fiscal 1996-2000. By canceling State funding for both football projects, the State would save $185.5 million during fiscal 1996-2000. Additionally, special fund expenditures would decrease by approximately $6.2 million annually during fiscal 2001-2026 because of reduced debt service requirements.

Exhibit 3
Revenue and Expenditure Effect of SB 397
Cumulative FY 1996-FY 2000
(In thousands)

	Amount		Fund
Special Fund Revenues			
Seat license fees	$ (5,000)		Stadium Financing Fund
A&A Tax	(5,055)		Stadium Financing Fund
Interest Earnings	(4,029)		Stadium Financing Fund
Bond proceeds	(90,892)		Stadium Financing Fund
Lottery proceeds	(64,289)	*	Stadium Financing Fund
	(169,265)		
Special Fund Expenditures			
Baltimore City Stadium	(200,000)		Stadium Financing Fund
Baltimore City Football Debt Service	(20,000)		Stadium Financing Fund
PG County Infrastructure	(70,500)		Transportation Trust Fund
	(290,500)		
General fund revenues			
Lottery proceeds	64,289	*	General Fund
Net Effect	$ 185,524		

* Assumes that only the lottery revenues needed for debt service on the baseball stadium bonds would be deposited into the Stadium Financing Fund beginning in FY 1997. The remainder would be remitted to the general fund.

Local Effect: Baltimore City expects to receive $622,500 annually in admissions and amusement tax revenue (plus inflationary increases) beginning in fiscal 1999 (fall 1998 football season). If the stadium was not built, these revenues would not be generated. If the stadium is built, the city could experience increased expenditures due to operation of the stadium, such as police, traffic control, and public works. The prohibition of a football stadium would eliminate these potential expenditures.

Prince George's County expects to receive $2.91 million in admissions and amusement tax revenues in fiscal 1998 and $5.22 million annually (plus inflationary increases), beginning in fiscal 1999 (fall 1998 football season). Beginning in fiscal 2000, the county will also receive property tax revenue from the stadium. While the annualized property tax revenue is estimated at $2.3 million, the tax will be phased in over five years. As a result, the county will receive $460,000 in fiscal 2000. The full $2.3 million will not be realized until fiscal 2004. If the stadium is not built, these revenues would not be generated. The county may also experience increased expenditures due to operation of the stadium, such as police, traffic control, and public works. The prohibition of a football stadium would eliminate these potential expenditures.

Information Source(s): Maryland Stadium Authority, Maryland Department of Transportation, Department of Fiscal Services

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