Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 546 (Senator Ferguson)
Budget and Taxation

Golf Courses - Use of State or Political Subdivision Public Funds - Prohibition

This bill prohibits the use of public funds by the State or a political subdivision for the construction, operation, or maintenance of a golf course. The State or a political subdivision that owns or operates a golf course must sell or transfer its interest in the golf course or any other property related to the golf course's operation.

Fiscal Summary

State Effect: Indeterminate but significant effect on State finances.

Local Effect: Indeterminate but significant effect on county and municipal finances.

Fiscal Analysis

State Effect: Currently, the Department of Natural Resources is planning and developing an economic development initiative at Rocky Gap State Park in Allegany County. This project will include a hotel and conference center and a golf course designed by Jack Nicklaus. To date, the State has spent approximately $830,000 on the planning and design of the golf course. The State also has an additional $11.6 million in available funds for construction of the golf course. Under the bill, these monies could not be spent on the construction and maintenance of the golf course.

The Rocky Gap complex would be managed by Buena Vista on behalf of the Maryland Economic Development Corporation (MEDCO). MEDCO would be entitled to all profits generated by the complex minus management fees paid to Buena Vista and payments to the State and Allegany County. Under the terms of a ground lease with MEDCO, the Department of Natural Resources (DNR) would receive annual rental fees and revenues from the collection of a patron surcharge of $3 per room per night and $1 per round of golf. The first annual rental payment would be $200,000 and the amount would increase by $50,000 annually thereafter. MEDCO, however, may keep all the surcharge revenues during the first two years of operation and the first $400,000 collected in the third and fourth years of operation.

Since the lack of a golf course would probably alter the annual rent payments, State revenues could decrease by up to $200,000 in the first year of operation. Out-year revenues would decrease by up to an additional $50,000 annually thereafter. It is expected that the State would not receive any surcharge revenues until the third or fourth year of operation. The projected number of rounds of golf to be played at the complex is 21,000 in the first year of operation, 26,000 in the second year, 32,000 in the third year, and 35,000 annually thereafter. If the State sells its interest in the golf course, State revenues could also decrease in the range of $32,000 to $35,000 annually provided MEDCO does not have to pay the $1 per round surcharge to DNR until the third or fourth year of operation.

Under the bill, the State would be required to sell or transfer any interest in the golf course. Since the golf course is located in the middle of Rocky Gap State Park, it is unclear how this sale would take place. However, if a sale did occur, revenues could increase depending upon the sale proceeds. These proceeds cannot be determined at this time. Any expenditures incurred in the process of selling the State's interest would be offset by the sale proceeds.

If the bill results in the privatization of the golf course operations, State finances could be affected depending upon the type of financial arrangement the State makes with the operator of the golf course. The scope of this arrangement cannot be determined at this time.

Local Effect: According to the National Golf Foundation, there are 35 golf courses owned and operated by local governments in Maryland. Under the bill, these entities would be prohibited from owning and operating golf courses. Accordingly, revenues and expenditures would decrease depending upon the scope of the existing golf course operations. The table on the next page shows revenues and expenditures of golf course operations for several local governments in fiscal 1995.

Local Government	Revenues	Expenditures	Surplus/(Deficit)
City of Frederick	$956,173	$1,022,868	($66,695)
City of Hagerstown	165,804	239,977	(74,173)
Town of Ocean City	1,925,990	1,794,223	131,767
City of Rockville	843,632	776,616	67,016
Anne Arundel County	654,629	507,100	147,529
Talbot County	1,275,859	1,009,989	265,870

Since a local government must sell or transfer any interest in a golf course under the bill, local government revenues would increase depending upon the sale proceeds. This information cannot be reliably estimated at this time. Expenditures would also increase due to the costs associated with selling or transferring the interest in the golf course. Any expenditure increase is assumed to be minimal and would be offset by the sale proceeds.

In addition, Allegany County finances related to the Rocky Gap project could be affected. The county has planned on issuing $2 million in general obligation bonds to assist in the funding of the golf course project. It is assumed that the county would not issue the bonds if this bill is enacted. Further, under the ground lease with MEDCO, the county would receive an annual Host Community Fee of $65,000 annually (adjusted for inflation) from MEDCO. It is not clear whether these revenues would be affected by the prohibition.

If the bill results in the privatization of golf courses, county and municipal finances could be affected depending upon the type of financial arrangements made between the local government and the operator of the golf course. The scope of these arrangements cannot be determined beforehand. For instance, the golf courses in Baltimore City are managed by the Baltimore Municipal Golf Corporation. According to Baltimore City, it receives between $200,000 and $250,000 annually from the corporation for use in other recreational programs.

Information Source(s): Department of Natural Resources; Cities of Frederick, Hagerstown, and Rockville; Town of Ocean City; Anne Arundel and Talbot counties; National Golf Foundation; Department of Fiscal Services

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Analysis by:	Thomas Himler	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710