SB 397

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 397 (Senator Frosh, et al.)
Finance and Budget and Taxation

Prohibition of State Funding to Subsidize a Football Stadium Anywhere in Maryland

This bill prohibits the Maryland Stadium Authority (MSA) from engaging in the construction of a football stadium or any infrastructure ancillary to a football stadium anywhere in Maryland. It reduces the amount of debt the MSA is authorized to have outstanding at any one time from $235 million to $155 million, or by $80 million (the amount originally allocated for a football stadium). It prohibits the Board of Public Works from approving the issuance of any bonds for a football stadium. Further, the bill prohibits any State agency from spending any funds that would facilitate a new football stadium anywhere in the State.

Finally, it authorizes the State Comptroller to transfer any funds administered by the MSA and reserved for a professional football stadium to the State School Construction Program (SSCP).

The bill is effective July 1, 1996.

Fiscal Summary

State Effect: 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 SSCP on July 1, 1996.

Local Effect: 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 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 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.

Exhibit 4 (attached) shows the Stadium Financing Fund cash flow for fiscal 1996 both with and without the Baltimore football stadium. As the exhibit shows, the fund ended fiscal 1995 with a balance of $24.3 million. If a football stadium was not build, the fund would have a balance of $31.9 million on July 1, 1996, the effective date of this bill. In accordance with the fiscal 1996 budget, $20 million would be transferred to school construction if a stadium is not build. After this distribution, approximately $23.1 million would remain in the fund. Although the MSA does not maintain a legal "reserve" for the football stadium, it is estimated that at least $2.8 million of these funds are from lottery proceeds earmarked for the football stadium. The balance of the $23.1 million was generated by the Stadium Authority for activities at Camden Yards. It is uncertain whether those would be transferred to school construction pursuant to Section 2 of the bill. If not transferred these funds could be utilized to pay the debt service on bonds for the baseball stadium in subsequent years.

Local Effect: Baltimore City expects to receive $622,500 million 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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