

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 399 (Senator Van Hollen, et al.)  
Finance and Budget and Taxation

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**Maryland Stadium Authority - Use of Football Stadium Funds  
for School Construction**

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This bill prohibits the Maryland Stadium Authority (MSA) from constructing 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.

The bill 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) for use in fiscal 1998. In fiscal 1997 and beyond, the Lottery Agency must transfer at least \$19 million of the proceeds that the agency derives from sports lotteries to a special fund for the benefit of SSCP (these funds would be used in fiscal 1998 and beyond).

The bill is effective July 1, 1996.

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**Fiscal Summary**

**State Effect:** During FY 1996-2000, special fund revenues could decrease by \$169.3 million, and special fund expenditures could decrease by \$105 million. Additionally, special fund expenditures would decrease by approximately \$220 million annually during FY 2001-2026 because of reduced debt service requirements. Approximately \$21.8 million could be distributed to the SSCP in FY 1997 and \$19 million in FY 1998 and beyond.

**Local Effect:** Baltimore City revenues could decrease by \$622,500 annually, beginning in FY 1999. Expenditures could decrease by an indeterminate amount.

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## Fiscal Analysis

**State Effect:** The State has committed a total of \$220 million of expenditures toward construction of a new football stadium 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	<u>12,435,000</u>	<u>12,345,000</u>
 Total revenues	 \$220,000,000	 \$115,024,000

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

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.

**Exhibit 2** shows the total changes in revenues and expenditures that would result from the prohibition of the stadium during fiscal 1996-2000. By canceling State funding for the football stadium, the State would save \$115 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 2**  
**Revenue and Expenditure Effect of SB 399**  
**Cumulative FY 1996-FY 2000**  
**(In thousands)**

	<u>Amount</u>
Stadium Financing Fund Revenues	
Seat license fees	\$ (5,000)
A&A Tax	(5,055)
Interest Earnings	(4,029)
Bond proceeds	<u>(90,892)</u>
	(104,976)
 Stadium Financing Fund Expenditures	
Baltimore City Stadium	(200,000)
Baltimore City Football Debt Service	<u>(20,000)</u>
	(220,000)
 Net Effect	 \$115,024

The State also plans to spend \$70.5 million from the Transportation Trust Fund during fiscal 1996-1998 to fund infrastructure improvement associated with a National Football League stadium in Prince George's County. However these funds are not being used to build the stadium itself, so would not be affected by this bill.

**Exhibit 3** (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 built, 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 built. 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.

In accordance with the bill, in fiscal 1997 and beyond \$19 million would be transferred from the proceeds that the agency derives from sports lotteries to SSCP. In fiscal 1997, the lottery is expected to generate \$32 million for the Stadium Authority; \$19 million of this would be transferred to the SSCP special fund. In total \$21.8 million could be transferred from the Stadium Financing Fund to SSCP in fiscal 1997 (\$2.8 million reserves and \$19 million lottery revenue). Each year thereafter SSCP would receive \$19 million.

**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.

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

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Analysis by: Kim E. Wells  
Reviewed by: John Rixey

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 841-3710  
(301) 858-3710