

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 214 (Senators Ferguson and Munson)

Budget and Taxation

Golf Facilities - Use of State or Local Public Funds - Prohibition

This bill prohibits the use of public funds by political subdivisions or the State for the construction, purchase, expansion, or subsidization of golf facilities. However, a political subdivision or the State can continue to own and operate such a facility if the facility exists prior to January 1, 1998.

Fiscal Summary

State Effect: None, as discussed below.

Local Effect: Local government finances could be affected as discussed below.

Small Business Effect: Potential meaningful.

Fiscal Analysis

Background: According to the National Golf Foundation, there are approximately 180 golf courses in Maryland. Of these, daily-fee and private courses account for 80%. Local governments operate the remaining 20%.

State Effect: It is expected that the construction of the conference center and golf course at Rocky Gap State Park will be completed in 1998. Although the actual golf course has not yet been completed, it is assumed that the State would be allowed to own and operate it upon completion. Thus, budgeted revenues and expenditures would not be affected.

The Department of Natural Resources has historically provided land acquisition funds to local governments for golf courses and other outdoor recreational activities. The use of these funds has been at the discretion of the local governments. Under the bill's provisions, these funds cannot be used for golf courses or facilities. Thus, the department would probably monitor the use of these funds more closely, but it could do so with existing personnel.

Local Effect: Local governments that own and operate golf facilities prior to January 1, 1998 would be allowed to continue with these operations. Statewide, there are 36 golf courses owned by local governments. **Exhibit 1** shows revenues and expenditures of golf courses for several local governments in fiscal 1997. However, local governments would be prohibited from expanding existing facilities or building new facilities under the bill's provisions. If local governments have developed such plans, the plans would have to stop, and would probably be replaced by other recreational activities or projects. If the golf course plans included the use of the golf course's profits to fund other services (such as recreational activities), the local government would have to find an alternative revenue source to fund these services. For example, a percentage of the profits from the Town of Ocean City's golf course helps subsidize youth recreational programs.

Exhibit 1
Revenues and Expenditures of Golf Courses for Selected Local Governments
FY 1997

<u>Local Government</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Surplus/(Deficit)</u>
City of Frederick	\$1,046,193	\$1,156,246	(\$110,053)
City of Hagerstown	175,341	228,904	(53,563)
Town of Ocean City	2,211,392	1,632,228	579,164
City of Rockville	991,958	812,397	179,561
Talbot County	1,147,947	1,291,516	(143,569)
Maryland-National Capital Park and Planning Commission	7,915,811	7,520,304	395,507

Local governments receive funds from the Department of Natural Resources for land acquisition purposes for golf courses and other outdoor recreational activities. Under the bill's provisions, these funds cannot be used for golf courses. Thus, these funds would be spent on alternative outdoor recreational programs.

Small Business Effect: According to the National Golf Foundation, there are approximately

180 golf courses in Maryland. Daily-fee and private courses account for 80% of these courses, and local governments operate the other 20%. The vast majority of private golf courses or facilities are small businesses. The bill would prohibit the State and local governments from constructing, purchasing, expanding, or subsidizing golf courses or driving ranges, unless they owned and operated the golf facilities prior to January 1, 1998. Thus, small business golf course owners could benefit through a potential decrease in the level of competition in the golf course market. These owners could move ahead with construction plans for new courses without a fear of competition from the State or local governments. To the extent that the increased demand for golf courses leads to the construction of new courses, small business owners could benefit from additional green fees, cart rentals, and other revenues.

Information Source(s): National Golf Foundation; Baltimore City; Anne Arundel, Baltimore, and Prince George's counties; Town of Ocean City; City of Rockville; Department of Legislative Services

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