

Department of Legislative Services
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FISCAL NOTE
Revised

Senate Bill 775 (Senator Miller, *et al.*)

Finance and Budget & Taxation Commerce & Government Matters and Appropriations

Chesapeake Regional Olympic Games Authority Act

This bill requires the Governor, on behalf of the State, to enter into an interstate compact with the City of Baltimore, Commonwealth of Virginia, and the District of Columbia to create the Chesapeake Regional Olympic Games Authority. The authority is established to oversee the conduct of the 2012 Olympic games and ensure that the guarantees and commitments associated with hosting the Olympic games are fulfilled.

The bill is effective July 1, 2001, with the requirement that the bill may not take effect until the Commonwealth of Virginia and the District of Columbia enact a similar Act.

Fiscal Summary

State Effect: Potential liability of \$92.75 million in FY 2012, and potential significant general and special fund expenditures from FY 2005 through FY 2012.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill provides that until the regional authority is triggered into existence, the combined signatures of the Governor, along with the Governor of Virginia and the Mayor of the District of Columbia, on documents necessary in the effort to host the 2012 games will be deemed binding on future actions of the regional authority. If the region is chosen to host the games in 2012, the Chesapeake Regional Olympic Games Authority comes into existence to oversee the activities of the Organizing Committee for

the Olympic Games (OCOG). The International Olympic Committee (IOC) requires the OCOG be established after the award of the designation as host city. The authority is comprised of 11 members: three selected by the Governor of Maryland; three selected by the Governor of Virginia; three selected by the Mayor of the District of Columbia; one selected by the Mayor of Baltimore City; and one selected by the Washington/Baltimore Regional 2012 Coalition. Members serve a two-year term, and there is an advisory board comprised of representatives of local jurisdictions that will be substantially impacted by the games.

The bill makes provisions for the meetings of the authority and requirements for public access to financial records, reports, and documents. The authority is required to prepare a quarterly financial report and an annual comprehensive report. The authority is required to make every effort to comply with the laws of each signatory regarding disclosure, appointments, and open meetings.

The OCOG will provide funding for the operation of the authority. The items not considered operating expenses to be paid by the OCOG are: (1) premiums for insurance purchased by the authority to cover possible financial losses; and (2) any financial deficit up to \$175 million.

The authority is charged with oversight of the OCOG and is to guarantee performance of the OCOG's obligations and certify the OCOG's performance of these obligations to the United States Olympic Committee (USOC) as requested. The authority is to accept liability for the OCOG as far as required by all documents necessary and appropriate to the pursuit and hosting of the Olympic games provided that:

- for third-party tort liabilities the OCOG will both indemnify the State against any and all such claims and provide that the State be named as an additional insured on all appropriate insurance policies, and that in any event, nothing contained herein will in any way modify the State's existing liability limitation; and
- for all other liabilities arising out of accepting liability for the OCOG, the OCOG agrees to hold the State harmless and indemnify the State for any such losses, and should the State incur any liabilities they will count against the total limit on the State's liabilities.

The authority accepts liability for any financial deficit of the OCOG up to a total limit of \$175 million, after the OCOG pays the first \$25 million of any deficit. Maryland's share is 53% or \$92.75 million. The OCOG and the authority can use any sources permitted by law, including commercially available and reasonably priced insurance, to provide funding for covering possible financial losses. Until all financial obligations of the OCOG and the authority for hosting the games are met, and all OCOG and authority

financial surpluses accrued in connection with the games are applied to the deficit, no liability for a financial deficit accrues to a signatory to the authority.

The authority can sue and be sued in court, enter into contracts, and hire appropriate staff.

If the authority is brought into existence by the IOC choosing the Washington Baltimore region to host the 2012 Olympic games, it will cease to exist on January 1, 2014 unless extended by legislation enacted by all signatories.

Maryland as a signatory to the authority agrees to:

- ensure that necessary facilities are built and transportation infrastructure improvements are made, including funding as appropriate;
- provide access to existing State and city controlled facilities and other resources specified in the bid proposal, according to applicable law and contractual obligations; and
- provide adequate security, fire protection, and other government related services at a reasonable cost.

Current Law: None applicable.

Background: Selecting a host city for the 2012 Olympic games is a two-stage process. Within the United States eight cities are currently bidding to host the 2012 Olympic games: Cincinnati, Dallas, Houston, Los Angeles, New York City, Tampa-Orlando, San Francisco, and Washington-Baltimore. The USOC will decide in March 2002 on the final four and in the fall of 2002 will decide which of the four will enter the international bidding as the candidate city from the U.S. The IOC will decide by the fall of 2005 which city, from among the candidate cities of the various countries, will host the 2012 games. This will give the chosen city seven years to prepare for the games.

Currently the States of Florida and Texas have taken steps to provide a guarantee for the USOC and IOC against a deficit situation at the end of the 2012 games if hosted in their bidding cities. Texas created the Olympics and Pan American Games Fund. If a city in Texas is chosen to host the 2007 Pan American games or the 2012 Olympic Games, the Comptroller is to estimate the amount of any increase in sales taxes associated with all phases of the games in the city's marketing area for each month, beginning with the first month of the fiscal year following selection. The Comptroller is required to deposit the estimated amount each month into the Olympics and Pan American Games Fund for use to provide assurances or assist with costs. The deposits are to cease three months after the closing event of the games.

Florida has created a contingent guarantee fund, and if Tampa-Orlando is chosen as the candidate city for the U. S. in 2002, funds would be deposited into the fund up to \$175 million, with the principal earning interest until 2012. The monies to be deposited into the fund can come from incremental revenues generated by the Olympic games, a transfer from the state working capital fund, direct appropriations, or a combination of these sources. In the event Tampa-Orlando is not chosen by the IOC as host city, or at the end of the Olympic games, whichever is appropriate, the remaining balance in the fund reverts to the state general revenue fund.

The 1996 Olympic games in Atlanta had a total economic impact of about \$4 billion. This includes the preparation period before the games when approximately \$1 billion was spent for infrastructure and spending during the games by visitors and residents. The infrastructure work included \$200 million of federal funds for highway construction, \$150 million in bonds approved by Atlanta voters, and \$200 million in bonds by the University of Georgia for housing. The State of Georgia spent approximately \$40 million, primarily for security purposes. According to one analysis, actual economic impact and revenue attainment in Georgia fell short of the initial estimates because: (1) visitor spending was lower than expected and confined to the Olympic venue rather than branching out into other areas of the region; and (2) some of the spending was by residents substituting Olympic spending for other spending.

Utah is hosting the 2002 Winter Olympic games and has spent approximately \$100 million to build sports facilities and housing. It is also accelerating approximately \$150 million in transportation improvements. Utah has dedicated \$13 million in additional sales tax revenue to the Olympic Public Safety Committee. According to the November 2000 annual report by the State Olympic Officer, the state will receive an additional \$66.4 million in tax and fee revenue during the 1996 through 2002 period associated with the games.

The 1984 Los Angeles Olympic games were the first with private corporate sponsorship, partially in response to the 1976 Olympic games in Montreal leaving the city with a \$1 billion debt. The Atlanta games broke even financially. Under IOC rules if there is a surplus at the end of the games, the surplus is distributed to the IOC, the national OC, and the OCOG based on an IOC formula.

The Commonwealth of Virginia has passed legislation similar to this bill.

State Fiscal Effect: The State has a potential liability of up to \$92.75 million in fiscal 2012. The bill provides no mechanism for funding this future liability. If the State invested \$56 million in fiscal 2002 at a 5.17% annual rate, there would be sufficient funds in fiscal 2012.

The bid proposal by the Washington Baltimore Regional 2012 Coalition assumes that by 2012 the State will have built a cycling velodrome, a new Baltimore Arena, and made a number of transportation improvements. As a signatory to the authority, the State is guaranteeing that required facilities will be built and may incur significant general and special fund expenditures associated with constructing these facilities and needed transportation improvements.

Additional Information

Prior Introductions: None.

Cross File: HB 586 (Delegate Taylor, *et al.*) – Commerce and Government Matters and Appropriations.

Information Source(s): Office of the Governor, Department of Budget and Management, Baltimore City, Department of Legislative Services

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