

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1433

(Chair, Appropriations Committee)

(By Request – Departmental – Stadium Authority)

Appropriations

Budget and Taxation

Maryland Stadium Authority - Baltimore Convention Center

This departmental bill extends the date by which the Maryland Stadium Authority is obligated to contribute two-thirds and Baltimore City is obligated to contribute one-third of the operating deficits of the Baltimore Convention Center to December 31, 2014. The bill also extends the date by which MSA and Baltimore City are obligated to contribute \$200,000 each to a capital reserve fund. In addition, the bill extends the date after which Baltimore City is to be solely responsible for all operating deficits and capital improvements for the convention center. The bill also specifies that the limitation on the issuance of bonds by MSA to support the Baltimore Convention Center applies to the aggregate principal amount of bonds outstanding as of June 30 of any year and that refunded bonds may not be included in determining the limitation.

The bill takes effect June 1, 2008.

Fiscal Summary

State Effect: General fund expenditures would increase by at least \$4.1 million in FY 2009 and by at least \$4.3 million annually beginning in FY 2010 to pay for a share of the convention center operating deficit and capital improvement reserve fund. The proposed FY 2009 budget for MSA includes \$4,138,400. The increase in out-year expenditures reflects a 3% annual increase in the Baltimore Convention Center operating deficit.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	4,138,400	4,260,000	4,381,800	4,507,000	4,637,000
Net Effect	(\$4,138,400)	(\$4,260,000)	(\$4,381,800)	(\$4,507,000)	(\$4,637,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Approximately \$4.6 million in Baltimore City expenditures would not be incurred annually through December 2014.

Small Business Effect: MSA has determined that his bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: MSA is required to secure a written agreement with Baltimore City, as approved by the Board of Public Works, which includes provisions that require:

- (1) for the period beginning on the completion of the expanded and renovated Baltimore Convention facility and ending on June 30, 2008: • MSA to contribute two-thirds and Baltimore City to contribute one-third to annual operating deficits; and • MSA and Baltimore City to contribute \$200,000 each year to a capital improvement reserve fund; and
- (2) Baltimore City to be solely responsible for all operating deficits and capital improvements: • before the completion of the expanded and renovated Baltimore Convention facility; and • after June 30, 2008.

Unless authorized by the General Assembly, the Board of Public Works may not approve an issuance by MSA of bonds if, after issuance, the face value of bonds outstanding and unpaid in connection with the Baltimore Convention Center facility would be more than \$55 million.

Background: Baltimore City and the Maryland Stadium Authority both advise that the Baltimore Convention Center, like most convention centers nationwide, is not a fiscally self-sustaining entity. The purpose of a convention center is to generate an economic stimulus in the local market through increased spending by out-of-town guests. The Baltimore Convention Center hosted 166 events and 545,000 event attendees in fiscal 2007. The convention center generated \$730.0 million in business for the State and approximately \$30.5 million in sales and income tax revenues. The State provided the convention center with a \$3.5 million subsidy in fiscal 2007 and \$4.4 million in fiscal 2008.

The current arrangement, under which the State contributes two-thirds of the operating deficit and one half of the capital reserve fund, has been in place since 1996. MSA advises that it opposed any recommended cut in its current level of deficit support for the convention center. In addition, a fiscal 2008 deficiency appropriation of \$270,557 has been requested to supplement the convention center operating deficit.

State Fiscal Effect: General fund expenditures would increase by approximately \$4,138,000 to pay for a share of the convention center operating deficit and capital improvement reserve fund beginning in fiscal 2009. However, the Governor has included approximately \$4,138,000 in the fiscal 2009 proposed budget, including approximately \$3,938,000 to pay two-thirds of the operating deficit of the convention center, and \$200,000 for its capital improvement reserve fund. Legislative Services advises that based on current trends, the total fiscal 2009 appropriation to MSA for the purpose of subsidizing the Baltimore Convention Center could increase significantly through a deficiency appropriation.

General fund expenditures would continue in fiscal 2010 through 2014, growing by 3% annually, with a half-year payment due in fiscal 2015.

Local Fiscal Effect: Baltimore City would not be required to expend \$4.1 to \$4.6 million annually to pay the entirety of the convention center operating deficit and to maintain the capital improvement reserve fund at existing levels.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Towson University, Sage Policy Group, Inc.; Maryland Stadium Authority; Baltimore City; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2008
mam/rhh Revised - House Third Reader - March 25, 2008

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