

Department of Legislative Services  
 Maryland General Assembly  
 2011 Session

FISCAL AND POLICY NOTE

House Bill 383 (Delegate Smigiel, *et al.*)  
 Appropriations

Maryland Stadium Authority - Bonding, Financing, and Revenue Limitations -  
 Camden Yards Stadiums

This bill (1) prohibits the Maryland Stadium Authority (MSA) from exceeding specified borrowing limits related to bonds issued for Camden Yards; (2) limits State revenues as a funding source for the Camden Yards Fund; and (3) redirects revenues generated from sports lotteries conducted for the benefit of MSA into the general fund.

Fiscal Summary

**State Effect:** General fund revenues increase by \$20.0 million annually beginning in FY 2012 due to the transfer of MSA lottery revenues; MSA special fund revenues decrease by a corresponding amount. General fund expenditures for MSA bond debt service payments increase by \$20.0 million annually beginning in FY 2012; MSA special fund debt service payments decrease by a corresponding amount

(\$ in millions)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
GF Revenue	\$20	\$20	\$20	\$20	\$20
SF Revenue	(\$20)	(\$20)	(\$20)	(\$20)	(\$20)
GF Expenditure	\$20	\$20	\$20	\$20	\$20
SF Expenditure	(\$20)	(\$20)	(\$20)	(\$20)	(\$20)
Net Effect	\$0	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary/Current Law:** Except as limited by statute and subject to Board of Public Works (BPW) approval, MSA may issue bonds at any time for any corporate purpose of MSA, including the establishment of reserves and the payment of interest.

Unless authorized by the General Assembly, BPW may not approve more than a total of \$235.0 million in outstanding bonds issued by MSA for sports facilities at Camden Yards that constitute tax supported debt. Camden Yards includes the area comprising approximately 85 acres in Baltimore City bounded by Camden Street, Russell Street, Ostend Street, Howard Street, and Interstate 395.

The total amount of taxable and tax-exempt bonds issued by MSA for sports facilities at Camden Yards that constitute tax supported debt are limited to the following purposes: (1) \$85.0 million for site acquisition and preparation; (2) \$70.0 million for baseball stadium construction and related expenses; and (3) \$80.0 million for football stadium construction and related expenses. MSA could also issue \$195.0 million for site acquisition and preparation for a multiuse stadium at Camden Yards. However, a multiuse stadium was not built at the site. Under current law, MSA may exceed each of these limits if it receives BPW authorization and notifies the Legislative Policy Committee with accompanying justification. Under the bill, MSA may not exceed the limits described above.

In addition to bond limits related to Camden Yards, unless authorized by the General Assembly, BPW may not approve an issuance of bonds by MSA above specified limits for the Baltimore Convention Center, the Hippodrome Performing Arts facility, the Montgomery County Conference facility, and the Ocean City Convention facility.

MSA pays for bonds from MSA receipts and property. MSA must use the Camden Yards Financing Fund as a revolving fund in support of Camden Yards facilities and pay all expenses and related Camden Yards facility expenditures. At MSA's discretion, the Camden Yards Fund is pledged to and charged with, related to a sports facility (1) the payment of debt service on MSA bonds; (2) all reasonable borrowing charges and expenses; and (3) management of MSA obligations. Under current law, the fund consists of (1) sports facility bond proceeds; (2) revenue collected or received under any source related to Camden Yards facilities; (3) any other revenue under the authority of MSA and related to Camden Yards facilities; (4) certain admissions and amusement revenues; (5) certain payments by Baltimore City; and (6) any additional revenue, gift, donation, or other funding source authorized by law. The bill eliminates additional State revenue or other funding source authorized by law as a source of revenue for the fund.

One of the current State revenues authorized by law that would be prohibited by the bill are sports lotteries. During each fiscal year, the State Lottery Agency must conduct

lotteries for the benefit of MSA. In all advertising and on tickets, the agency must identify any such lottery as being conducted for the benefit of MSA. Revenue from these lotteries is distributed into the Maryland Stadium Facilities Fund.

The Maryland Stadium Facilities Fund is managed by the Treasurer and may be used in accordance with approved comprehensive financing plans to (1) pay rent to MSA; (2) with BPW approval (a) make grants or loans, not exceeding \$1 million in any fiscal year to MSA for its corporate purposes; or (b) finance capital construction in lieu of issuing bonds; or (3) financially support, through equity investment, loan, guarantee, or otherwise, full or partial private financing of any element of the facility. At the end of the fiscal year, if the balance of the fund exceeds \$24.0 million and the debt service reserve fund being held by MSA for the payment of debt service on revenue bonds issued by the authority, the balance is transferred to the State Reserve Fund.

The bill eliminates the requirement that the State Lottery Agency conduct sports lotteries for the benefit of MSA and eliminates any distribution of lottery revenue to the Maryland Stadium Facilities Fund. Instead, the bill requires the agency to conduct sports lotteries for the benefit of the general fund. In all advertising and on tickets, the agency must identify any sports lottery as being conducted for the benefit of the general fund.

To finance acquisition and construction of any segment of a sports facility, MSA is required to provide certification, including a detailed report, to the Legislative Policy Committee and BPW that MSA has attempted to (1) maximize private investment in the sports facility proposed to be financed; and (2) when applicable, maximize the State's ability to ensure that the professional baseball and football franchises will remain in the State. MSA is also required to provide to the fiscal committees of the General Assembly at least 30 days before seeking BPW approval for each bond issue or other borrowing, a comprehensive financing plan on financing options for other segments of the facility and anticipated revenues from private investment.

**Background:** MSA was created in 1986 to construct and operate stadium sites for professional baseball and football in the Baltimore area. In subsequent years, MSA's role was expanded to include managing and issuing revenue bonds for convention, conference, and performing arts centers.

MSA recently forwarded to the Legislative Policy Committee and the fiscal committees of the General Assembly a 2010 Amendment to the Comprehensive Plan of Financing for the Camden Yards Sports Complex. The amended plan supports MSA's request for approval to borrow \$11.1 million for capital improvement projects within the Camden Yards Sports Complex. Including this request, the total amount of MSA's indebtedness for sports facilities at Camden Yards will be \$190.9 million as of April 1, 2011, remaining within the overall \$235.0 million debt limit.

The amended financing plan reflects the second phase of a planned \$30 million capital improvement program. Financing for the first phase (\$10 million) went before BPW in March 2010. Proceeds are to be used to fund renovation to the seating bowl, including removing and replacing seats, restoring and repairing concrete, and restoring existing handrails.

The second phase includes an additional \$10.0 million for capital improvements and \$1.1 million to fund a debt service reserve fund. The planned capital improvements include replacing the roof on the warehouse and Camden Station (\$4.0 million), vertical resurfacing of the warehouse façade (\$4.0 million), replacing a faulty escalator in Oriole Park (\$1.3 million), replacing a fire alarm system (\$0.5 million), and various Americans with Disabilities Act improvements (\$0.2 million). As with previous revenue bonds, MSA intends to use lottery proceeds to secure payments for revenue bonds with any combination of the taxes, fees, charges, and other revenues of MSA. MSA's five-year cash flow statements for the Camden Yards Financing Fund show that there are sufficient projected net revenues, including lottery proceeds, to cover the annual debt service for the new financing obligations.

**State Fiscal Effect:** The bill limits State revenues as a funding source for the Camden Yards Fund and redirects State lottery revenues that are currently distributed to MSA to the general fund. The State Lottery Agency advises that it currently designates a portion of MegaMillions sales for the benefit of MSA. A total of about \$20.0 million in annual lottery revenues in recent fiscal years has been distributed to MSA in support of bond debt service payments; a total transfer of \$20.0 million is projected for fiscal 2012. Although the bill takes effect October 1, 2011, it is assumed that lottery revenues currently distributed to MSA are retained by the general fund. As a result, general fund revenues increase by \$20.0 million annually beginning in fiscal 2012, with a corresponding decrease in special fund revenues for MSA.

However, general funds are required to make annual debt service payments on outstanding MSA lease revenue bonds as MSA's lease with the State requires a State appropriation to pay debt service. Thus, general fund expenditures increase by \$20.0 million annually beginning in fiscal 2012. To the extent MSA issues revenue bonds, instead of lease revenue bonds, backed only by revenues in the Camden Yard fund, a State appropriation would not be required. In 2010, MSA issued \$10 million in revenue bonds. If the State did not make the required appropriation, MSA would default on approximately \$191.2 million in outstanding debt related to the Camden Yards Complex, resulting in higher costs for borrowing and exposing MSA and the State to legal action by bondholders.

The bill limits the ability of MSA to issue bonds in the future above the \$235 million statutory limit. Given that MSA is well below the limit, no impact is expected. To the extent the bill prevents MSA from issuing future bonds, MSA bond revenues and expenditures decrease.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Maryland Stadium Authority, Department of Legislative Services

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