

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 525 (Delegate Anderson)(By Request - Baltimore City Administration)

Appropriations

Rules

Economic Development - Baltimore Convention Facility - Operating Deficits

This bill extends by five years, to December 31, 2019, the period during which the Maryland Stadium Authority (MSA) must contribute two-thirds to the annual operating deficit of the Baltimore Convention Center (BCC). During this period, Baltimore City must continue to contribute one-third to the BCC annual operating deficit. The bill also extends the date until which MSA and Baltimore City are each obligated to contribute \$200,000 to a capital improvement reserve fund; it correspondingly extends the date after which Baltimore City is solely responsible for all operating deficits and capital improvements.

Fiscal Summary

State Effect: No impact in FY 2014. General fund expenditures for MSA increase by \$1.9 million in FY 2015 to pay for the State’s share of the BCC operating deficit for the second half of the fiscal year. General fund expenditures increase by at least \$4.2 million annually thereafter through FY 2019 and reflect annualization and a 3% annual increase in BCC operating deficits. In FY 2020, the final year, the State must pay its share of the operating deficit for only the first half of the fiscal year as well as its full contribution to the capital improvement reserve fund. Revenues are not affected. **This bill continues a mandated appropriation.**

(\$ in millions)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	1.9	4.2	4.3	4.4
Net Effect	\$0	(\$1.9)	(\$4.2)	(\$4.3)	(\$4.4)

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

Local Effect: MSA's continued contribution to BCC operating deficits and a capital improvement reserve fund significantly affects local finances.

Small Business Effect: None.

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, for the period beginning on the completion of the expanded and renovated BCC and ending on December 31, 2014:

- MSA to contribute two-thirds and Baltimore City to contribute one-third to BCC's annual operating deficits; and
- MSA and Baltimore City to contribute \$200,000 each year to a capital improvement reserve fund.

In addition, the agreement must require Baltimore City to be solely responsible for all BCC operating deficits and capital improvements before the completion of the expanded and renovated Baltimore Convention facility and after December 31, 2014.

A similar agreement exists between MSA and the Town of Ocean City where MSA pays 50% of the Ocean City Convention Center's annual operating deficit and contributes \$50,000 annually to a capital improvement reserve fund.

Background: 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. Chapter 320 of 2008 (HB 1433) extended the arrangement from June 30, 2008, to December 31, 2014, when MSA's outstanding bonds for the project are retired. Similar to this bill, Chapter 630 of 2012 (SB 990) extended by 20 years, to December 15, 2035, the period during which MSA must contribute 50% to the annual operating deficit of the Ocean City Convention Center and contribute \$50,000 annually to the convention center's capital improvement reserve fund.

Baltimore City and MSA both advise that BCC, 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. According to the annual report conducted for MSA by Crossroads Consulting Services, BCC hosted 161 events totaling 462,300 event attendees in fiscal 2012, generating \$681 million in total spending in the State and approximately \$36.6 million in State tax revenues. The State provided BCC with \$6.1 million in operating support in

fiscal 2012, which includes \$5.9 million for the operating deficit (including a \$2.1 million deficiency appropriation) and \$200,000 for the capital improvement reserve fund.

Maryland Stadium Authority

MSA was established in 1986 as an independent unit in the Executive Department to be responsible for the construction, operation, and maintenance of facilities for use by professional baseball and/or football teams. In 1992, legislation was enacted which assigned to the authority the responsibility for expansion of BCC. MSA's responsibility was further extended in 1995 when legislation was enacted to have MSA participate in and manage construction of the Ocean City Convention Center. Legislation in 1996 authorized MSA to participate with Montgomery County in the construction of a conference center, and in 2000, MSA was authorized to participate in construction of the Hippodrome Performing Arts Center in Baltimore. MSA may, in fact, manage any type of construction project for local governments and State agencies upon request and approval by the General Assembly.

State Fiscal Effect: Under current law, State support of the BCC operating deficit and the State's annual \$200,000 contribution to the capital improvement reserve fund expire on December 31, 2014. The bill extends both provisions through December 31, 2019. Since the capital improvement contribution is paid on July 1 each year, under current law the fiscal 2015 budget must already include it. Therefore, general fund expenditures for MSA increase by \$1.9 million in total in fiscal 2015 to reflect a *half-year* payment of the State's share of the BCC operating deficit.

General fund expenditures for MSA increase by at least \$4.2 million annually thereafter through fiscal 2019 and reflect a 3% annual increase in BCC operating deficits and annualization. General fund expenditures conclude in fiscal 2020, with a half-year payment due that year, plus the annual contribution to the capital improvement reserve fund. The fiscal 2014 State budget includes \$3.9 million for the State's share of the BCC operating deficit (\$3.7 million) and the annual capital improvement reserve fund contribution (\$200,000) as required under current law.

Local Fiscal Effect: Baltimore City is not required to expend at least \$1.9 million in fiscal 2015, \$4.2 million to \$4.5 million annually through fiscal 2019, and \$2.4 million in fiscal 2020 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: SB 516 (Senator Jones-Rodwell)(By Request - Baltimore City Administration) - Budget and Taxation.

Information Source(s): Baltimore City, Department of Budget and Management, Maryland Stadium Authority, Crossroads Consulting Services, Department of Legislative Services

Fiscal Note History: First Reader - February 22, 2013
mc/rhh Revised - House Third Reader/Correction - April 5, 2013
Revised - Updated Budget Information - May 7, 2013

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510