

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1425

(Chair, Appropriations Committee)(By Request -
Departmental - Stadium Authority)

Appropriations

Budget and Taxation

**Maryland Stadium Authority - Development of Supplemental Facilities to Benefit
Camden Yards**

This departmental bill authorizes the Maryland Stadium Authority (MSA) to prepare studies that relate to the development of supplemental facilities, as defined, that directly or indirectly benefit the sports facilities at Camden Yards. The bill also authorizes MSA to issue up to \$25.0 million in bonds to finance site acquisition for and construction of any portion of a supplemental facility, subject to specified conditions, and establishes a related Supplemental Facilities Fund. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Nonbudgeted expenditures for MSA increase by up to \$1.0 million annually in FY 2020 and 2021. Nonbudgeted revenues increase by \$25.0 million from bond issuances in FY 2023; nonbudgeted expenditures increase correspondingly. Nonbudgeted revenues increase by about \$1.9 million annually beginning in FY 2023 from facility revenue and nonbudgeted expenditures increase by about \$2.0 million annually beginning in FY 2025 for debt service payments (not shown).

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
NonBud Rev.	\$0	\$0	\$0	\$26.9	\$1.9
NonBud Exp.	\$1.0	\$1.0	\$0	\$25.0	\$0
Net Effect	(\$1.0)	(\$1.0)	\$0.0	\$1.9	\$1.9

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

Local Effect: Baltimore City benefits from supplemental facilities constructed by MSA.

Small Business Effect: MSA has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary:

Authorization to Prepare Studies

Subject to specified requirements, MSA may prepare studies that relate to the development of supplemental facilities that directly or indirectly benefit the sports facilities at Camden Yards. The studies may include site studies, feasibility studies, architectural programs and design, budget estimates, value engineering, and estimated project schedules. The studies must be limited to sites within Baltimore City. They may be undertaken solely by MSA or by MSA in cooperation with Baltimore City, other units of the State, the professional football or major league baseball franchises at Camden Yards, or other entities.

MSA may enter into contracts, agreements, and memoranda; retain consultants; and make recommendations relating to the studies. For any activities related to the studies, MSA must use money that is:

- appropriated for the particular purpose;
- provided by public or private entities; or
- with approval from the Senate Budget and Taxation Committee and the House Appropriations Committee, up to \$1.0 million of MSA's available nonbudgeted money in each fiscal year.

Authorization to Develop Supplemental Facilities

Subject to the approval by the Board of Public Works (BPW) and review by the Legislative Policy Committee, MSA may develop supplemental facilities and supplemental facility sites to directly or indirectly benefit the sports facilities at Camden Yards. This includes the power to:

- develop, establish, acquire, own, lease, improve, operate as landlord, regulate, maintain, sell, transfer, or otherwise dispose of property acquired under the bill; and
- enter into partnerships with Baltimore City, units of the State or local government, or private developers.

Other existing law related to the acquisition of property or interest in property by MSA applies. The bill also specifies other conditions, such as the requirement that MSA notify Baltimore City of its intent to acquire property and provide Baltimore City at least 30 days in which to submit comments on the proposed acquisition.

Subject to approval by BPW after certain information is provided at least 45 days in advance to the fiscal committees of the General Assembly, MSA may issue up to \$25.0 million in bonds to finance site acquisition for and construction of any portion of a supplemental facility. A bond issued to finance a supplemental facility:

- is a limited obligation of MSA payable solely from money pledged by MSA to the payment of the principal of and the premium and interest on the bond or money made available to MSA for that purpose;
- is not a debt, liability, or pledge of the faith and credit or the taxing power of the State, MSA, or any other governmental unit; and
- may not give rise to any pecuniary liability of the State, MSA, or any other governmental unit.

The issuance of a bond to finance a supplemental facility is not directly, indirectly, or contingently a moral or other obligation of the State, MSA, or any other governmental unit to levy or pledge any tax or to make an appropriation to pay the bond.

Supplemental Facilities Fund

The Supplemental Facilities Fund is established as a continuing, nonlapsing fund that is available in perpetuity to implement the bill. MSA must (1) use the fund as a revolving fund for carrying out the provisions of the bill concerning supplemental facilities and (2) pay any and all expenses that are incurred by MSA related to a supplemental facility from the fund.

To the extent considered appropriate by MSA, the receipts of a supplemental facility must be pledged to and charged with the following relating to the supplemental facility:

- the payment of debt service on MSA bonds;
- all reasonable charges and expenses related to MSA borrowing; and
- the management of MSA obligations.

The fund consists of (1) funds appropriated for deposit; (2) proceeds from the sale of bonds concerning supplemental facilities; (3) revenues collected or received from any source under the bill related to supplemental facilities; and (4) any additional money made available from any public or private source for the purposes established for the fund. No part of the fund, including investment earnings, may revert or be credited to the general fund or any special fund of the State.

Current Law/Background: 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. MSA's authority has since been expanded further to include a variety of State and local projects. MSA may, in fact, manage any type of construction project for local governments and State agencies upon request and approval by the General Assembly.

MSA advises that the bill helps ensure the continuing location of the Orioles and the Ravens at Camden Yards beyond the teams' current lease terms, which expire after the next three and nine seasons, respectively.

State Fiscal Effect: MSA advises that it intends to use nonbudgeted funds to pay for the authorized studies related to supplemental facilities around Camden Yards. MSA cannot provide a more detailed cost estimate, since the precise nature of the studies is unknown, but advises that \$1.0 million per year is likely sufficient. Therefore, based on MSA's estimate of the timing of the studies, nonbudgeted expenditures for MSA increase by up to \$1.0 million annually in fiscal 2020 and 2021.

Based on the findings of those studies, MSA may choose to purchase/construct supplemental facilities. Assuming MSA chooses to do so, nonbudgeted revenues increase by \$25.0 million from bond issuances. MSA advises that due to the processes involved, any such activity is likely to take several years from start to finish. Therefore, bond revenues are anticipated no earlier than fiscal 2023. Nonbudgeted expenditures increase correspondingly to purchase/construct supplemental facilities and for debt issuance costs.

The bill specifies that a bond issued to finance a supplemental facility under the bill is a limited obligation of MSA payable solely from money pledged by MSA to the payment of the principal of and the premium and interest on the bond or money made available to MSA for that purpose. Further, such a bond is not a debt, liability, or pledge of the faith and credit or the taxing power of the State, MSA, or any other governmental unit. Accordingly, MSA advises that the revenues from the facilities it purchases/constructs must cover the full amount of debt service on the bonds issued for that purpose.

Assuming 20-year bonds at a 4.0% interest rate, nonbudgeted revenues increase by about \$1.9 million annually beginning in fiscal 2023 from facility revenues, which is the approximate amount necessary to fully support the debt service payments. Assuming that MSA capitalizes interest for two years, as it typically has for other large projects, nonbudgeted expenditures increase by about \$2.0 million annually beginning in fiscal 2025 to make the debt service payments on the bonds.

Local Fiscal Effect: Baltimore City benefits from supplemental facilities constructed by MSA under the bill. The city may also voluntarily choose to contribute funds for studies in fiscal 2020 and/or 2021 or enter into an agreement to jointly develop supplemental facilities with MSA. The overall effect on city finances is likely modest.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Stadium Authority; Department of General Services; Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2019
mm/vlg Third Reader - March 19, 2019

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Stadium Authority - Development of Supplemental Facilities to Benefit Camden Yards

BILL NUMBER:

PREPARED BY: Maryland Stadium Authority (MSA)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

- WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

- X WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The specific details of the economic impact analysis are unknown at this time.

The bill allows MSA to study the development outside of Camden Yards but within Baltimore City that directly or indirectly benefits the sports facilities at Camden Yards.

The bill also allows MSA to develop supplemental facilities and supplemental facility sites that directly or indirectly benefits the sports facilities at Camden Yards.

The MSA wants to ensure the continuing location of the Orioles and the Ravens at Camden Yards, beyond the teams' current lease terms that will expire after the next three seasons and nine seasons, respectively.

The bill will allow MSA to better negotiate long term agreements with the Orioles and Ravens. Securing both teams will positively impact the economy both for the State of Maryland and Baltimore City. Many small businesses are favorably impacted as a result of the activities at the Camden Yards Sports Complex.