

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 685 (Senator Ellis)
 Budget and Taxation

**Economic Development - Maryland Stadium Authority - Charles County
 Multicultural Recreational and Amphitheatre Facilities**

This bill authorizes the Maryland Stadium Authority (MSA) to issue up to \$45.0 million in bonds for the purpose of financing acquisition, construction, renovation, and related expenses in connection with the Charles County Multicultural Recreational and Amphitheatre Facilities, subject to specified requirements. The bill establishes the Charles County Multicultural Recreational and Amphitheatre Facilities Fund to implement the bill and pay for related expenses incurred by MSA.

Fiscal Summary

State Effect: Nonbudgeted revenues increase by approximately \$5.0 million in FY 2023 and \$46.7 million in FY 2024 from bonds issued by MSA; nonbudgeted expenditures increase in total by that amount from FY 2023 through 2026 for construction and related costs. General fund expenditures increase by \$2.65 million annually from FY 2025 through 2054 to provide funding for debt service; nonbudgeted revenues and expenditures increase correspondingly.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
NonBud Rev.	\$5.00	\$46.70	\$2.65	\$2.65	\$2.65
GF Expenditure	\$0	\$0	\$2.65	\$2.65	\$2.65
NonBud Exp.	\$5.00	\$20.50	\$26.15	\$5.35	\$2.65
Net Effect	\$0.00	\$26.20	(\$26.15)	(\$5.35)	(\$2.65)

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

Local Effect: Meaningful, as discussed below.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Facilities Financing and Operation

“Charles County Multicultural Recreational and Amphitheatre Facilities” means the events facility located in Charles County, Maryland, used for community events, recreational events, and other related activities. It includes fields and amphitheaters, offices, parking lots and garages, access roads, food service facilities, and other functionally related structures and improvements.

Generally, to finance site acquisition, design, and construction of any segment of the facilities, MSA must notify the fiscal committees of the General Assembly, as specified, and obtain the approval of the Board of Public Works of the proposed bond issue and the financing plan.

Charles County Multicultural Recreational and Amphitheatre Facilities Fund

The Charles County Multicultural Recreational and Amphitheatre Facilities Fund is established as a continuing, nonlapsing fund to enable MSA to (1) use the fund as a revolving fund for implementing the bill as it relates to the facilities and (2) pay any expenses incurred by MSA that are related to the facilities. MSA administers the fund. To the extent considered appropriate by MSA, the receipts of the fund must be pledged to and charged with the following relating to the facilities:

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

Current Law: 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 the Baltimore City Convention Center. 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: Nonbudgeted revenues increase by approximately \$5.0 million in fiscal 2023 and \$46.7 million in fiscal 2024 from bonds issued by MSA under the bill (which includes bond premium and is net of bond issuance costs). Nonbudgeted expenditures increase in total by that amount from fiscal 2023 through 2026 for costs associated with building the Charles County Multicultural Recreational and Amphitheatre Facilities. The precise timing of such expenditures is unknown at this time; however, for the purposes of this estimate, assumed MSA expenditures are \$5.0 million in fiscal 2023, \$20.5 million in fiscal 2024, \$23.5 million in fiscal 2025, and \$2.7 million in fiscal 2026. Depending on when MSA completes current projects and when the project authorized by the bill begins, MSA may need one contractual project manager to oversee MSA's role in the construction of the facilities. The cost of any new position is paid for with the associated bond revenues.

The bill does not identify a revenue source to repay the bonds. The Maryland Constitution requires any legislation authorizing the issuance of debt to provide for the collection of tax or taxes sufficient to service the debt. The Department of Legislative Services assumes an annual appropriation of \$2.65 million is provided to MSA to service the debt beginning in fiscal 2025. Additionally, MSA advises that the bill does not identify (1) the owner of the facilities; (2) the party responsible for operation and maintenance of the facilities; (3) the party responsible for any operating deficiencies; and (4) the necessary documents needed before the debt is issued. This analysis assumes the State is not responsible for the operation, maintenance, or any operation deficiencies of the facilities.

General fund expenditures increase by \$2.65 million annually from fiscal 2025 through 2054 to provide funding for the associated debt service payments, based on the assumption that MSA issues 30-year bonds and structures the repayments to match the availability of appropriations for debt service. Nonbudgeted revenues and expenditures for the Charles County Multicultural Recreational and Amphitheatre Facilities Fund are assumed to increase correspondingly as funds are received and used to make debt service payments, although there may be slight timing differences, depending on the final debt service schedule.

Local Fiscal Effect: The effect on the Charles County finances is unclear, as the bill does not specify any duties of the local government as part of the facilities' construction or operation. The fiscal 2022 capital budget includes \$100,000 to Charles County for the acquisition, planning, design, construction, repair, renovation, reconstruction, site improvement, and capital equipping of Waldorf Urban Park, including improvements to the site's grounds and a new amphitheater, which is not affected by this bill. While it is possible that local government expenditures further increase to support the project's construction and/or operation, the amount, if any, and timing of such expenditures are unknown. Local government revenues increase from additional economic activity associated with the facility's construction and eventual operation.

Small Business Effect: Small businesses associated with the design, construction, operation, and maintenance of the proposed facility, and businesses located adjacent to the facilities, benefit from increased demand for their services under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Charles County; Board of Public Works; Maryland Stadium Authority; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2022
fnu2/ljm

Analysis by: Heather N. MacDonagh

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