

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 896

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

Appropriations

Budget and Taxation

Maryland Stadium Authority - Increase of Bond Authorization - Camden Yards

This departmental bill increases the amount of taxable or tax-exempt bonds that the Maryland Stadium Authority (MSA) may issue for sports facilities at Camden Yards to \$1.2 billion, split evenly between the football and baseball stadiums (and the sports facilities directly related to their operation), and specifies renovation as an additional purpose. To finance acquisition and construction of the baseball or football stadium, MSA must provide certification that it has negotiated a lease or renewal or extension of a lease that will not terminate prior to the maturity date or payoff of any bonds issued for the stadium. The Comptroller must distribute up to \$90.0 million (instead of up to \$20.0 million) annually from State lottery revenues to the Maryland Stadium Facilities Fund. **The bill takes effect July 1, 2022, contingent on the enactment of House Bill 897 of 2022.**

Fiscal Summary

State Effect: Under one set of assumptions, nonbudgeted revenues increase by \$200.0 million annually in FY 2023 through 2028 from bonds issued by MSA; nonbudgeted expenditures increase in total by that amount from FY 2023 through 2030 for construction and related costs. General fund revenues from State lottery proceeds decrease by \$16.0 million in FY 2024, escalating each year due to debt service payments; Maryland Stadium Facilities Fund special fund revenues and expenditures increase correspondingly. **This bill increases the cap on a mandated distribution beginning in FY 2023.**

| (\$ in millions) | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|------------------|---------|----------|----------|----------|----------|
| GF Revenue | \$0 | (\$16.0) | (\$32.0) | (\$48.0) | (\$64.0) |
| SF Revenue | \$0 | \$16.0 | \$32.0 | \$48.0 | \$64.0 |
| NonBud Rev. | \$200.0 | \$200.0 | \$200.0 | \$200.0 | \$200.0 |
| SF Expenditure | \$0 | \$16.0 | \$32.0 | \$48.0 | \$64.0 |
| NonBud Exp. | \$150.0 | \$150.0 | \$150.0 | \$150.0 | \$150.0 |
| Net Effect | \$50.0 | \$34.0 | \$18.0 | \$2.0 | (\$14.0) |

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

Local Effect: Baltimore City benefits from renovation at the football and baseball stadiums at Camden Yards.

Small Business Effect: MSA has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The limits of bond issuance with respect to sports facilities at Camden Yards are:

- up to \$600 million of the face amount of bonds for demolition and removal, construction, renovation, and related expenses for construction management, professional fees, and contingencies for the football stadium and sports facilities directly related to the use or operation of the football stadium; and
- up to \$600 million of the face amount of bonds for demolition and removal, construction, renovation, and related expenses for construction management, professional fees, and contingencies for the baseball stadium and sports facilities directly related to the use or operation of the baseball stadium.

MSA may exceed these limits if MSA obtains the authorization of the Board of Public Works (BPW) and notifies the Legislative Policy Committee (LPC) with accompanying justification.

The face amount of bonds authorized under the bill are subject to MSA providing certification to LPC and BPW that MSA negotiated a lease or a renewal or extension of a lease that will not terminate prior to the maturity date or payoff of any bonds issued for the baseball or football stadium. MSA must obtain the approval of BPW of the lease or a renewal or extension of a lease, in addition to the proposed bond issue and the financing plan.

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. MSA is authorized to issue taxable and tax-exempt revenue bonds for property acquisition and construction costs related to two stadiums at Baltimore's Camden Yards. The authority may also participate in the development of practice fields, team offices, parking lots, garages, and related properties. 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.

Maryland Stadium Facilities Fund

The Maryland Stadium Facilities Fund is a special, nonlapsing fund. Money credited to the fund may be used, in accordance with approved and comprehensive financing plans, to:

- pay rent to MSA;
- with BPW's approval, make grants or loans of up to \$1.0 million to MSA for its corporate purposes;
- with BPW's approval, finance capital construction in lieu of issuing bonds; or
- financially support, through equity investment, loan, guarantee, or otherwise, full or partial private financing of any element of the Camden Yards facilities.

At the end of the fiscal year, funds exceeding \$24.0 million must be transferred as specified to the Dedicated Purpose Fund of the State Reserve Fund. Any revenues transferred to the State Reserve Fund must be dedicated for use by MSA and may be transferred from the State Reserve Fund by an appropriation in the budget bill or, with the approval of LPC, by budget amendment. The unspent balance of any revenues for MSA in the State Reserve Fund must revert to the general fund two years after the end of the fiscal year in which the transfer was made.

The fiscal 2023 budget transfers \$14.6 million of lottery revenue to the Maryland Stadium Facilities Fund.

State Lottery Fund

Each month, after payments to lottery winners and agents and to the State lottery for operating expenses, the Comptroller must make payments from the State Lottery Fund to:

- the Maryland Stadium Facilities Fund (an amount not to exceed \$20.0 million in any fiscal year);
- the Baltimore City Public School Construction Financing Fund (an amount equal to \$20.0 million in each fiscal year that bonds are outstanding);
- the Racing and Community Development Financing Fund (an amount equal to \$17.0 million in each fiscal year that bonds are outstanding);
- the Michael Erin Busch Sports Fund (an amount equal to \$1.0 million);
- a grant of \$150,000 to the Maryland Humanities Council for Maryland History Day;
- Anne Arundel County and Baltimore City in an amount determined by a specified hold harmless provision relating to the distribution of local impact grants; and
- the State's general fund.

Additionally, the Comptroller must deposit 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by veterans' organizations into the Maryland Veterans Trust Fund.

Background: MSA advises that the bill helps ensure the continuing location of the Baltimore Orioles and the Baltimore Ravens at Camden Yards beyond the teams' current lease terms. MSA expects that the teams will not renew leases without improvements to the stadiums. Thus, the bill may help MSA negotiate new long-term agreements with the Baltimore Orioles and Baltimore Ravens.

The Baltimore Orioles' original lease with the State began April 1, 1992, and was set to expire at the end of 2021, but the Orioles signed a two-year extension taking the lease through the end of 2023, with the club retaining the right to exercise a one-time, five-year extension by Feb. 1, 2023. The Baltimore Ravens lease for M&T Bank Stadium ends after the 2027-2028 season in February 2028.

Oriole Park at Camden Yards is 30 years old, and M&T Bank Stadium is 24 years old.

State Fiscal Effect: This analysis assumes that House Bill 897 (Chapter __ of 2022) is enacted and this bill takes effect. If House Bill 897 is not enacted, the entire bill is null and void.

The fiscal impact depends on MSA lease agreements with the Baltimore Orioles and the Baltimore Ravens, which have not yet been negotiated and approved. MSA advises that it only anticipates committing \$600.0 million for either team if there is a 30-year lease or extension. If all the bonds authorized under the bill are issued, MSA projects \$90.0 million of State lottery revenues will eventually be needed for debt service payments. MSA anticipates it taking six to eight years to issue all of the debt as the timeframe for capital improvement projects is constrained by the period between each team's seasons. This analysis assumes bonds are issued over a six-year period, construction occurs over an eight-year period, and MSA successfully negotiates a 30-year lease with the Orioles and Ravens.

Facility Financing and Construction

While the timing and issuance of debt depends on lease agreements, MSA anticipates no more than \$200.0 million of bonds being issued in a fiscal year. Assuming \$200.0 million of bonds are issued annually by MSA under the bill from fiscal 2023 through 2028, nonbudgeted revenues increase by \$200.0 million annually in fiscal 2023 through 2028 (which does not include bond premium or bond issuance costs). Nonbudgeted expenditures increase in total by the amount of bonds issued for costs associated with capital improvements at Camden Yards. The precise timing of such expenditures is unknown at

this time; however, for the purposes of this estimate, assumed MSA expenditures are \$150.0 million annually in fiscal 2023 through 2030.

Depending on when MSA completes current projects and when projects authorized by the bill begin, MSA may need to hire a consultant to assist with MSA's role in the renovation of the facilities. The cost of any consultant is paid for with the associated bond revenues.

Debt Service

The bill authorizes an additional \$70.0 million of State Lottery Fund revenues to be distributed to the Maryland Stadium Facilities Fund, so the distribution in any fiscal year may not exceed \$90.0 million. However, MSA anticipates only receiving the amount necessary for debt service. Accordingly, even though the distribution could increase in fiscal 2023, this provision is assumed to have no effect until the following year at the earliest. Assuming debt service payments are not made until fiscal 2024, general fund revenues decrease by \$16.0 million in fiscal 2024, \$32.0 million in fiscal 2025, \$48.0 million in fiscal 2026, and \$64.0 million in fiscal 2027 to provide funding to the Maryland Stadium Facilities Fund. Special fund revenues and expenditures for the Maryland Stadium 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. MSA expects debt service payments to eventually reach \$90.0 million once all the bonds authorized by the bill are issued, which under the assumptions made in this analysis will not occur within the five-year period covered by this fiscal and policy note.

Other Revenue Effects

To the extent that stadium enhancements increase attendance at Camden Yards, rent payments to MSA may increase and admissions and amusement (A&A) tax revenues increase, thereby increasing nonbudgeted revenues to MSA. Any such impact has not been quantified or factored into this analysis.

Local Fiscal Effect: Baltimore City may benefit from renovation at the football and baseball stadiums at Camden Yards. To the extent that the bill helps MSA successfully negotiate a lease renewal or extension, Baltimore City benefits from increased A&A tax revenues.

Additional Comments: House Bill 897 of 2022 includes similar financing provisions for sports entertainment facilities and Prince George's County blue line corridor facilities, among other provisions. The bill takes effect June 1, 2022.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Board of Public Works; Maryland Stadium Authority; Department of Legislative Services

Fiscal Note History: First Reader - March 14, 2022
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Maryland Stadium Authority – Increase of Bond Authorization – Camden Yards**

BILL NUMBER: **HB896**

PREPARED BY: David Raith

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON
MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There could be some positive impact to small business in the local area from the construction of the capital projects.