HB 897

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 897 (Chair, Appropriations Committee)(By Request - Departmental - Stadium Authority)

Appropriations Budget and Taxation

Economic Development - Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities

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This departmental bill authorizes the Maryland Stadium Authority (MSA) to issue up to $200.0 million in bonds for "sports entertainment facilities," and up to $400.0 million in bonds for Prince George's County Blue Line Corridor (BLC) facilities, subject to specified requirements. The bill establishes three funds and the Major Sports and Entertainment Event Program (MSEEP) in MSA, along with a bus rapid transit system grant program in the Maryland Department of Transportation (MDOT), all of which are funded by State Lottery Fund distributions. The bill also exempts construction material purchased for specified projects from the sales and use tax, subject to specified requirements. Finally, the bill establishes reporting requirements and legislative intent relating to Laurel Park and Pimlico racing facilities. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: No effect in FY 2022. General fund revenues decrease by $24.6 million in FY 2023, escalating to $67.2 million by FY 2027 from State Lottery Fund distributions and the sales and use tax exemption. In FY 2023, nonbudgeted revenues increase by $12.1 million and nonbudgeted expenditures increase by $13.5 million. Future years reflect program funding, bond issuances, construction and related costs, and debt service payments. Transportation Trust Fund (TTF) revenues increase by $14.6 million in FY 2023 and by $27.0 million annually thereafter, with higher TTF expenditures for administration. **This bill establishes mandated distributions beginning in FY 2023.**

($ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	($24.6)	($38.6)	($42.1)	($62.5)	($67.2)
SF Revenue	$14.6	$27.0	$27.0	$27.0	$27.0
NonBud Rev.	$12.1	$60.1	$313.6	$84.0	$87.5
SF Expenditure	$14.7	$27.1	$27.1	$27.1	$27.1
NonBud Exp.	$13.5	$61.6	$69.1	$119.4	$137.9
Net Effect	($26.1)	($40.2)	$202.3	($98.0)	($117.7)

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

Local Effect: Meaningful, as discussed below.

Small Business Effect: MSA has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment, as discussed below. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: Specified annual reports by MSA on tax revenues generated by specified facilities are expanded to include a sports entertainment facility and a Prince George's County BLC facility site. All such annual reports no longer must be prepared in cooperation with the Comptroller's Office and the Department of Budget and Management.

Major Sports and Entertainment Event Program

The purpose of MSEEP is to attract major sporting events and major entertainment events to the State; attract fans, participants, and tourists to the State for major sporting events; generate positive media coverage for the State; and generate a positive economic impact for the State. A "major entertainment event" means, except as otherwise specified by MSA, an indoor or outdoor event organized for the primary purpose of entertaining or amusing people. A "major sporting event" means, except as otherwise specified by MSA, a professional or an amateur sporting event that is sanctioned by a regional, national, or international organization or association. Additionally, a major entertainment event and major sporting event must have an expected attendance of at least 20,000 people, a negotiated broadcasting deal with either live or delayed broadcasting, commercial sponsorship opportunities, or a demonstrated positive economic impact for the State. The bill specifies what a major entertainment event includes and what a major sporting event excludes.

Maryland Sports within MSA must implement and administer MSEEP. Funding may be awarded, with approval from MSA, to a nonprofit organization, a for-profit organization, a county, or a business entity to assist with the costs of attracting and organizing a major sporting event or major entertainment event, including expenses associated with advertising, promotions, and capital projects.

Major Sports and Entertainment Event Program Fund

The MSEEP Fund is established as a continuing, nonlapsing fund that must be available to implement MSEEP. MSA must (1) use the fund as a revolving fund for carrying out MSEEP and (2) pay expenses from the fund related to MSEEP. MSA may use the fund to pay administrative and operating costs of the program, including costs to market and advertise the program. No part of the fund may revert or be credited to the general fund or any special fund of the State.

In fiscal 2023, $10.0 million must be paid to the MSEEP Fund from the State Lottery Fund. For each fiscal year thereafter, an amount necessary to restore the MSEEP Fund to a balance of $10.0 million must be paid to the MSEEP Fund from the State Lottery Fund.

Sports Entertainment Facilities – Financing and Operation

"Sports entertainment facility" means a structure or other improvement in the State at which minor league games are played or other non-major league sporting events are held. It includes parking lots, garages, and other property adjacent and directly related to the facility. It does not include a facility located at Camden Yards; a sports facility; or a high school, collegiate, or recreational venue that does not generate positive incremental tax benefits to the State.

Generally, to finance site acquisition, design, construction, equipping, and furnishing of any segment of a sports entertainment facility, MSA must have received a written request for financing and construction management services from the State, county, or local government in which the sports entertainment facility is located or will be located. In addition, MSA must notify the fiscal committees of the General Assembly and provide them with a comprehensive financing plan, as specified, and obtain the approval of the Board of Public Works (BPW) of the proposed bond issue, the financing plan, and the required agreement. Specifically, MSA must secure a written agreement with the State, county, or local government in which the sports entertainment facility is located, as approved by BPW, under which the source of funding and the order in which funds will be spent is described, and the State, county, or local government agrees to (1) own, market, promote, and operate or contract for the marketing, promotion, and operation of the sports entertainment facility in a manner that maximizes the facility's economic return; (2) maintain and repair or contract for the maintenance and repair of the facility; and (3) any other terms or conditions deemed necessary or appropriate by MSA.

The county or local government in which a sports entertainment facility financed by the bill is located must annually report to the fiscal committees of the General Assembly on the sports entertainment facility's assessment of the maintenance and repair needed to keep the facility in operating order.

The bill specifies how a bond issued to finance a sports entertainment facility is a limited obligation of MSA, and the sole source of payment for bonds issued for a sports entertainment facility must be money on deposit in the Sports Entertainment Facilities Financing Fund (SEFFF).

Sports Entertainment Facilities Financing Fund

SEFFF 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 sports entertainment facilities and (2) pay any expenses incurred by MSA that are related to sports entertainment facilities. To the extent considered appropriate by MSA, the money on deposit in the fund must be pledged to and used to pay the following relating to the sports entertainment facilities:

- debt service on MSA bonds;
- debt service reserves under a trust agreement;
- all reasonable charges and expenses related to MSA's borrowing; and
- all reasonable charges and expenses related to MSA's administration of the fund and the management of MSA's obligations.

Beginning in fiscal 2023, up to $25.0 million must be paid annually in two installments to SEFFF from the State Lottery Fund. No part of the fund may revert or be credited to the general fund or any special fund of the State.

Prince George's County Blue Line Corridor Facilities – Financing and Operation

A "BLC facility" means a facility located within BLC that is a convention center; an arts and entertainment amphitheater; and any other functionally related structures, improvements, infrastructure, furnishings, or equipment of the facility, including parking garages. "BLC" is an area, as designated by public local law, in central Prince George's County near the intersections of I-495 and Landover Road, Arena Drive, and Central Avenue.

Generally, to finance site acquisition, planning, design, and construction of a BLC facility, MSA must notify the fiscal committees of the General Assembly and provide them with a comprehensive financing plan, as specified, and obtain the approval of BPW of the proposed bond issue, the financing plan, and the required agreement with Prince George's County. Specifically, MSA must secure a written agreement with Prince George's County identifying the roles and responsibilities of each party with respect to the BLC facility.

The bill specifies how a bond issued to finance a BLC 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.

MSA may condemn any private property for any purpose of MSA at a BLC facility site, in accordance with eminent domain law, with the prior approval of BPW and review by the Legislative Policy Committee.

Prince George's County Blue Line Corridor Facility Fund

The BLC Facility Fund is established as a continuing, nonlapsing fund administered by MSA to enable MSA to (1) use the fund as a revolving fund for implementing the bill as it relates to a BLC facility and (2) pay any expenses incurred by MSA that are related to that BLC facility. To the extent considered appropriate by MSA, the receipts of the fund must be pledged to and used to pay the following relating to a BLC facility:

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

Beginning in fiscal 2024, up to $27.0 million must be paid annually in two installments to the BLC Facility Fund from the State Lottery Fund until the bonds that have been issued to finance BLC facilities are no longer outstanding and unpaid.

Sales and Use Tax Exemption

The sales and use tax does not apply to a sale of "construction material," as defined, if (1) the material is purchased for use in furtherance of the provisions of the bill for the construction or redevelopment of a sports entertainment facility or a BLC facility; (2) the sale is made on or after October 1, 2021; and (3) the buyer provides the vendor with evidence of eligibility for the exemption issued by the Comptroller. The Comptroller must adopt regulations to implement this requirement.

Bus Rapid Transit System Grants

"Bus rapid transit system" means a bus line that operates on at least some portion of roadway dedicated to buses and offers off-board fare collection if a fare is charged.

If a deposit or payment is made to the Maryland Stadium Facilities Fund (MSFF) from the State Lottery Fund, an amount *equaling* the deposit or payment, but not exceeding $27.0 million, must be paid to MDOT for bus rapid transit system grants from the State Lottery Fund. MDOT must use these funds to award a grant to an "eligible grantee" – defined as a county or municipal corporation that has a bus rapid transit system that operates in the county or municipal corporation and has no ongoing or completed facility, as specified. If there is more than one eligible grantee, MDOT must distribute the funds on a *pro rata* basis based on the grantee's share of the statewide population. MDOT must distribute grants to eligible grantees in a timely manner and may not impose any additional conditions on an eligible grantee on receipt of a grant.

Reporting Requirements and Legislative Intent

MSA must provide two reports, by September 30, 2022, and January 1, 2023, to the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Ways and Means Committee, on the progress of the Pimlico and Laurel Park racing facility redevelopment plans under Chapter 590 of 2020. It is the General Assembly's intent that MSA spend at least $2.5 million from the current balance in the Racing and Community Development Facilities Fund (RCDFF) for professional services to complete the reports.

Moreover, the bill establishes legislative intent that the following projects proceed by September 1, 2022, using funds from RCDFF: (1) design, architecture, engineering, and permitting at the Pimlico site; (2) testing and evaluation of the existing racing surfaces at the Laurel Park racing facility site; and (3) after specified considerations and consultation, demolition of the Pimlico Old Grandstand on an expedited basis.

It is the General Assembly's intent that the Maryland Economic Development Corporation (MEDCO) undertake all efforts necessary to evaluate the feasibility, limitations, costs, and potential benefits related to the acquisition of the Laurel Park site by a government or nonprofit entity to ensure the redevelopment and construction of facilities at the Laurel Park racing facility site. MEDCO must, to the extent necessary, consult with specified stakeholders. MEDCO must enter into discussions with the owner of the Laurel Park racing facility site to determine the terms and conditions of a potential purchase or other transfer and may contract for one or more appraisals to make the determination. Further, by September 1, 2022, MEDCO must report to the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Ways and Means Committee on its progress in the efforts taken under the bill. By September 30, 2022, the mile thoroughbred licensees, the Maryland Thoroughbred Horsemen's Association, and the Maryland Horse Breeders Association must report to the same committees on the status of the Maryland thoroughbred racing operations, as specified.

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.

Maryland Sports

MSA's Office of Sports Marketing was created in 2007 with the goal of attracting and hosting national and international sporting events. Rebranded as Maryland Sports in 2015, the office develops and promotes sports tourism in the State. Chapter 575 of 2017 codified Maryland Sports, which had previously existed only administratively in MSA, subject to specified conditions. Maryland Sports must implement a program to bring regional, national, and international sporting events at all levels of competition to the State for the purposes of utilizing sports facilities in the State, enhancing the economic development of the State, and promoting the State as a destination for amateur and professional sporting events.

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:

- MSFF (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);
- RCDFF (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.

Maryland Economic Development Corporation

MEDCO is a nonbudgeted entity that allows the State to own or develop property for economic development purposes. MEDCO was created in 1984 with the mission to help expand, modernize, and retain existing Maryland businesses and to attract new businesses to the State. The stated legislative purpose of the corporation is to (1) relieve the conditions of unemployment; (2) encourage increased business activity and commerce and a balanced economy; (3) assist in the retention and attraction of new business activity; (4) promote economic development; and (5) generally promote the present and prospective health, happiness, safety, right of employment, and general welfare of State residents.

Racing and Community Development Act of 2020

The Racing and Community Development Act (Chapter 590 of 2020) authorizes MSA to issue up to $375.0 million in bonds for financing, planning, design, construction, and related expenses for racing facilities at Pimlico and Laurel Park, currently owned by the Maryland Jockey Club, which is a subsidiary of the Stronach Group. The bonds support improvements to both facilities, including the clubhouse, racetracks, stables and barns, and associated roads and walkways.

RCDFF is a revolving fund for implementing provisions of law concerning racing and community development projects and for the payment of debt service expenses incurred by MSA, or otherwise approved by MSA, concerning the projects. The financing fund will issue 30-year bonds. Beginning in fiscal 2022, the Act requires the transfer of $17.0 million from the State Lottery Fund to RCDFF for each fiscal year until the bonds issued for a racing facility have matured.

Background: MSA advises that, during the past decade, many of the minor league baseball stadiums have sought funds from the capital budget for capital improvements on their facilities. MSA notes five minor league stadiums in Maryland are in need of capital improvements, and other sports venues in the State may also eventually need capital improvements.

Status of Pimlico and Laurel Park Improvements

MSA advises that these projects are still in the programming phase. The Pimlico program is set, but the stakeholders continue to discuss the Laurel Park program. There are 10 to 15 agreements that need to be executed prior to bond issuance and construction. MSA is currently focused on the transition. Until the transition plan is completed, it is unclear what racing seasons will be affected by the construction.

A schedule provided to DLS in December 2019 projected Laurel Park construction would be done first and then Pimlico construction. The plan expected Laurel Park's construction to be completed in 2022 so that racing at Laurel Park could begin in February 2022. Since programming is not yet complete, this schedule has slipped by at least two years. Under the schedule presented to DLS, an initial bond sale would have been in November 2019. It is unclear when bonds will be issued, but at this point, the first bond sale is unlikely to be prior to spring 2023. Consequently, the first debt service payments would be in fiscal 2024. The earliest major construction is anticipated for summer 2023 but is dependent on a transition plan and Laurel Park program resolution.

State Fiscal Effect: As discussed in each relevant section below, general fund revenues decrease in total by $24.6 million in fiscal 2023, escalating annually to $67.2 million by fiscal 2027, primarily due to the altered distributions of State Lottery Fund monies (which also reflect the likely timing of bond issuances). The distributions to MSEEP and MDOT are maintained in perpetuity (or, in the case of MDOT, until such time as distributions to MSFF are reduced or terminated). The sales and use tax exemption, as discussed below, reflects a relatively small portion of the general fund revenue loss – likely approximately $1.5 million in foregone general fund revenues in fiscal 2024 through 2026, escalating to $2.7 million in fiscal 2027 when BLC facility construction likely begins. The sales and use tax revenue loss is dependent on the value of qualifying materials purchased for construction each year; accordingly, the impact is greater in years with more materials purchased and mitigated (or eliminated) as construction of various facilities is completed.

Sports Entertainment Facilities – Financing and Construction

MSA does not expect debt to be issued for sports entertainment facilities until fiscal 2024 as several steps need to be completed before debt issuance, such as requesting county or local government (and possibly State) involvement, negotiating memoranda of understanding, and meeting with the operators of various facilities. While MSA does not know the timing of issuing debt, it anticipates no more than $50.0 million of bonds being issued in fiscal 2024. Assuming $50.0 million of bonds are issued annually by MSA under the bill from fiscal 2024 through 2027, nonbudgeted SEFFF revenues increase by $50.0 million annually in fiscal 2024 through 2027 (which does not include bond premium or bond issuance costs). Nonbudgeted SEFFF expenditures increase in total by the amount of bonds issued for costs associated with building sports entertainment facilities. The precise timing of such expenditures is unknown at this time; however, for the purposes of this estimate, assumed MSA expenditures are $50.0 million annually in fiscal 2024 through 2027.

Depending on when MSA completes current projects and when projects authorized by the bill begin, MSA may need a project manager or hire a consultant to oversee MSA’s role in the construction of the sports entertainment facilities. The cost of any new position or consultant is paid for with the associated bond revenues.

Debt Service for Sports Entertainment Facilities

General fund revenues decrease by $3.5 million in fiscal 2025 to provide State lottery revenues to SEFFF for debt service on the bonds issued the prior year, escalating each year by approximately $3.5 million for bonds issued in the prior year, so that, by fiscal 2027, general fund revenues decrease by $10.5 million. However, the actual debt service may vary depending on the timing and terms of the bonds issued. The amount for debt service covered through this distribution is capped at $25.0 million, which is more than sufficient to cover debt service costs when they again escalate in fiscal 2028 (beyond the timeframe covered in this analysis) to reflect the anticipated final bond issuance the prior year. Nonbudgeted SEFFF revenues increase correspondingly.

Prince George's County Blue Line Corridor Facilities – Financing and Construction

Nonbudgeted revenues increase by approximately $2.1 million in fiscal 2023 and $250.0 million in fiscal 2025 from bonds issued by MSA for BLC facilities. Additional bonds of up to $147.9 million may be issued in the out-years (beyond the timeframe included in this analysis), so total bonds issued for BLC facilities eventually total $400.0 million, not including bond premium or bond issuance costs. Nonbudgeted BLC Facility Fund expenditures increase in total by the amount of bonds issued for costs associated with planning, designing, and constructing BLC facilities. The precise timing of such expenditures is unknown at this time; however, for the purposes of this estimate, assumed MSA expenditures are $0.7 million in fiscal 2023, $1.4 million in fiscal 2024, $5.4 million in fiscal 2025, $35.4 million in fiscal 2026, and $50.4 million in fiscal 2027. This estimate is based on planning occurring in fiscal 2023 through 2025, design occurring in fiscal 2025 through 2027, preconstruction occurring in fiscal 2026 and 2027, and construction starting in fiscal 2027, at which time nonbudgeted MSA expenditures increase significantly.

As part of the overall funding to support BLC facilities as described above, nonbudgeted MSA administrative expenditures total $207,456 in fiscal 2023, which accounts for a one-month implementation delay from the bill's June 1, 2022 effective date, and by $421,072 in fiscal 2024. This estimate reflects the cost of hiring one senior project manager to assist in the master planning of BLC facilities in fiscal 2023 and one assistant project manager and an executive assistant to assist with the project beginning in fiscal 2024. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

	FY 2023	**FY 2024**
New Positions	1.0	2.0
Salaries and Fringe Benefits	$199,848	$404,780
Other Operating Expenses	7,608	16,292
Total MSA Administrative Expenditures	**$207,456**	**$421,072**

Future year expenditures for MSA staff reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. At the end of the construction period, which will not occur within the next five years, these employees can assist MSA with other projects.

Debt Service for Prince George's County Blue Line Corridor Facilities

General fund revenues decrease by approximately $145,000 annually in fiscal 2024 and 2025 and by approximately $17.0 million annually thereafter to provide State lottery revenues to the BLC Facility Fund. However, the actual debt service may vary depending on the timing and terms of the bonds issued. Nonbudgeted revenues and expenditures for the BLC Facility 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. The amount for debt service covered through this distribution is capped at $27.0 million, which is likely sufficient to cover debt service costs when they again escalate after issuance of the remaining $147.9 million in bonds (beyond the timeframe covered in this analysis).

Sales and Use Tax Exemption

General fund revenues decrease, under the assumptions above, from fiscal 2024 through 2027 as a result of the sales and use tax exemption for the purchase of specified construction materials for the construction or redevelopment of sports entertainment facilities. Revenues totaling approximately $1.5 million are likely foregone during this period, assuming $50.0 million of construction costs annually during this period, with one-half of these costs for eligible construction materials.

Construction of BLC facilities likely begins in fiscal 2027, so general fund revenues decrease beginning in fiscal 2027 through the end of the construction period as a result of the sales and use tax exemption for the purchase of specified construction materials for the construction of BLC facilities. Assuming $40.0 million of construction costs, one-half of which are eligible construction materials, general fund revenues decrease by $1.2 million in fiscal 2027 and by significantly more in later years until construction is completed.

Costs for the Comptroller associated with adopting related regulations are minimal and absorbable within existing budgeted resources.

Major Sports and Entertainment Event Program

In fiscal 2023, general fund revenues from the State Lottery Fund decrease by $10.0 million, and nonbudgeted MSEEP Fund revenues and expenditures increase correspondingly for Maryland Sports within MSA to provide funding to various entities for attracting and organizing a major sporting or entertainment event. A distribution from the State Lottery Fund is required every fiscal year thereafter in an amount to ensure an MSEEP fund balance of $10.0 million. Assuming Maryland Sports spends all the funds that it receives each year, general fund revenues decrease by $10.0 million annually and MSEEP Fund revenues and expenditures increase correspondingly. However, MSEEP

Fund expenditures may vary from year to year. To the extent that funds remain in the MSEEP Fund at the start of a fiscal year, the State Lottery Fund distribution is less and corresponding MSEEP Fund revenues are less.

Bus Rapid Transit System Grants

General fund revenues decrease by $14.6 million in fiscal 2023 (the amount of the MSFF distribution that year) and by up to $27.0 million annually thereafter to provide State lottery revenues to MDOT for bus rapid transit system grants. TTF revenues increase correspondingly.

TTF expenditures increase by $14.7 million in fiscal 2023, which accounts for a one-month implementation delay from the bill's June 1, 2022 effective date. This estimate reflects the cost of hiring one grant administrator to administer the bus rapid transit system grants. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses, along with $14.6 million for grants that year.

Position	1.0
Salary and Fringe Benefits	$100,596
Grants	14,637,000
Operating Expenses	7,608
Total FY 2023 State Expenditures	**$14,745,204**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses, along with $27.0 million in grants. To the extent that distributions to MSFF are less than $27.0 million annually, grants decrease accordingly.

This estimate reflects House Bill 896 of 2022 taking effect (enacted as Chapter 60 of 2022), which increases annual distributions to MSFF by as much as $90.0 million in any fiscal year beginning in fiscal 2024, at the earliest.

Pimlico and Laurel Park Racing Facility Redevelopment Plans

The bill establishes legislative intent that MSA spend at least $2.5 million of RCDFF for professional services to complete two reports on the progress of the Pimlico and Laurel Park racing facility redevelopment plans by September 30, 2022, and January 1, 2023. Thus, nonbudgeted RCDFF expenditures for MSA increase by at least $2.5 million in fiscal 2023. RCDFF expenditures further increase for specified projects related to the Pimlico and Laurel Park racing facility sites to proceed by September 1, 2022.

Additionally, the bill establishes legislative intent that MEDCO evaluate the feasibility, limitations, costs, and potential benefits relate to a government or nonprofit entity acquiring

Laurel Park. MEDCO must consult with stakeholders and may contract for appraisals to determine the terms and conditions of a potential purchase or transfer of Laurel Park, and MEDCO must report on its progress by September 1, 2022.

MEDCO's existing staff cannot absorb this additional work, given the early deadlines established by the bill. Thus, nonbudgeted expenditures for MEDCO increase by approximately $273,000 in fiscal 2023, assuming a one-month implementation delay from the bill's June 1, 2022 effective date. This estimate reflects the costs of procuring a consultant to solicit appraisals and feasibility studies, engage in discussions with the owner of the Laurel Park site, and consult with stakeholders. It also includes $30,000 for three appraisals, $150,000 for a feasibility study, and $55,000 for legal expenses. MEDCO may also incur additional pre-development and site due-diligence costs as part of the negotiations with the owner of the Laurel Park site, which may include costs related to geotechnical, environmental, survey, historic, and title matters.

Local Fiscal Effect: Local government expenditures may increase to support the projects' 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 facilities' construction and operation.

Prince George's County advises that, in order to remain affiliated with the Orioles, the Bowie Baysox likely receives some portion of the bond revenue to make needed stadium improvements, which involve construction jobs and, therefore, increase Prince George's County income tax revenue. To the extent that stadium improvements increase the assessed value of real property or personal property, Prince George's County benefits by an indeterminate amount.

Counties are eligible to receive funding from MSEEP to assist with the costs of attracting and organizing a major sporting or entertainment event; thus, county revenues may increase to the extent that counties organize a major sporting or entertainment event.

MDOT must award grants based on State Lottery Fund deposits into MSFF (not to exceed $27.0 million annually) to eligible counties or municipal corporations with a bus rapid transit system operating in their county or municipal corporation. Thus, local government revenues increase beginning in fiscal 2023 to the extent local governments receive bus rapid transit system grants.

Small Business Effect: Small businesses may benefit from construction relating to sports entertainment facilities and BLC facilities. Small businesses may benefit from MSEEP as businesses are eligible to receive funding from MSEEP to assist with the costs of attracting and organizing a major sporting or entertainment event.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Prince George's County; Comptroller's Office; Department of Budget and Management; Board of Public Works; Maryland Stadium Authority; Maryland Department of Labor; Maryland Economic Development Corporation; Maryland Department of Transportation; Department of Legislative Services

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Sports Entertainment Facilities and Events, Prince George's County Blue Line Corridor Facilities, and Racing Facilities

BILL NUMBER: HB 897

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 BUSINESSES

OR

__X__ WILL HAVE A 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 expansion project.