HB 1128

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1128 (Delegate Rosenberg)
Appropriations

Economic Development - Maryland Stadium Authority - Baltimore City Infrastructure Projects

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This bill authorizes the Maryland Stadium Authority (MSA) to issue up to $1.0 billion in bonds for the purpose of financing acquisition, construction, renovation, and related expenses in connection with Baltimore City infrastructure projects, subject to specified requirements. This includes a written agreement between MSA and Baltimore City, as approved by the Board of Public Works (BPW). The bill establishes the Baltimore City Infrastructure Projects Financing Fund (BCIPFF) to implement the bill and pay for related expenses incurred by MSA. The Governor must include in the annual budget bill an appropriation of $58.0 million to the fund (no year or fund source is specified, mandates established in the 2023 session affect fiscal 2025 budgets and later). **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund expenditures increase by $58.0 million annually beginning in FY 2025. Nonbudgeted revenues for BCIPFF increase correspondingly. Nonbudgeted revenues for BCIPFF further increase by $230.0 million annually in FY 2025 through 2027 and by $235.0 million in FY 2028 from bond proceeds. Nonbudgeted expenditures increase beginning in FY 2025 for MSA staff (about $2.0 million annually), debt service ($13.8 million in FY 2025, escalating to $57.7 million in FY 2028), and infrastructure projects, although total expenditures in any year are unknown due to the timing of project spending, as discussed below. Dollar amounts for BCIPFF effects are not shown below. **This bill establishes a mandated appropriation beginning in FY 2025.**

($ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
NonBud Rev.	$0	-	-	-	-
GF Expenditure	$0	$58.0	$58.0	$58.0	$58.0
NonBud Exp.	$0	-	-	-	-
Net Effect	$0.0	($58.0)	($58.0)	($58.0)	($58.0)

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:

Project Financing and Related Agreements and Approvals

"Baltimore City infrastructure project" means an infrastructure project located in Baltimore City, including projects for water lines, roads, bridges, open space, and broadband connectivity.

Generally, to finance site acquisition, design, construction, equipping, and furnishing of any segment of a Baltimore City infrastructure project, MSA must comply with the following requirements:

- MSA must have received a written request for financing and construction management services from Baltimore City. The request must include the location of the project; the amount, source, and timing of funding, not including MSA bonds; and a description of the anticipated use of the project.
- MSA and Baltimore City must require each project to utilize a ratio of apprentices, as defined by the Maryland Department of Labor (MDL).
- MSA must secure a written agreement with Baltimore City under which the source of funding and the order in which funds will be spent is described, prior to issuing the bonds.
- MSA must notify the fiscal committees of the General Assembly at least 45 days before seeking approval of BPW.
- MSA must obtain the approval of BPW for each bond issue or other borrowing, a comprehensive financing plan for the relevant project segment, and the written agreement with Baltimore City related to the funding order described above.

Bonds

The bill specifies that a bond issued to finance a Baltimore City infrastructure project:

- 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 but is only a limited obligation of MSA payable solely from money made available to MSA for that purpose; and
- may not give rise to any pecuniary liability of the State, MSA, or any other governmental unit but is only a limited obligation of MSA payable solely from money pledged by MSA.

Further, the bill specifies that (1) the issuance of a bond to finance a Baltimore City infrastructure project 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 and (2) the sole source of payment for bonds issued for a Baltimore City infrastructure project must be money on deposit in BCIPFF.

Baltimore City Infrastructure Projects Financing Fund

BCIPFF 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 Baltimore City infrastructure projects and (2) pay any and all expenses incurred by MSA that are related to any Baltimore City infrastructure project. MSA administers the fund. 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 Baltimore City infrastructure projects:

- debt service on MSA bonds;
- debt service on 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 management of MSA's obligations.

BCIPFF consists of (1) money deposited into the fund; (2) to the extent that the proceeds are not under a trust agreement, proceeds from the sale of bonds concerning Baltimore City infrastructure projects; (3) revenues collected or received from any source under the provisions establishing the fund related to Baltimore City infrastructure projects; (4) any interest earnings of the fund; and (5) any additional money made available from any public source for the purposes established for the fund.

The Governor must include in the annual budget bill an appropriation of $58.0 million to BCIPFF. In uncodified language, the bill specifies that the Governor must use increased tax revenue and savings of general funds from federal reimbursement for Medicaid to make the appropriation. No part of BCIPFF may revert or be credited to the general fund or any special fund of the State.

Apprenticeship Capacity

MDL must explore the investments that are needed to increase the capacity and reach of apprenticeship programs run by skilled trade unions and other organizations to make the needed investment under the bill.

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 City. Since then, MSA has been authorized to construct a variety of other projects and facilities, such as public schools in Baltimore City. 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: This estimate assumes general funds are provided for the annual mandated appropriation beginning in fiscal 2025, the earliest a mandate established in the 2023 session can apply. Accordingly, general fund expenditures increase by $58.0 million annually beginning in fiscal 2025.

Based on current interest rates and bond issuance costs, and assuming 30-year terms, MSA estimates that $58.0 million in annual debt service payments allows for $925.0 million in bond issuances: $230.0 million in each of fiscal 2025, 2026, and 2027; and $235.0 million in fiscal 2028. These are preliminary estimates and subject to change based on interest rates and the projects actually selected under the bill (and their associated funding needs).

Nonbudgeted revenues for BCIPFF increase correspondingly beginning in fiscal 2025 as funds are received from MSA bond issuances and from annual appropriations for debt service.

Nonbudgeted expenditures increase beginning in fiscal 2025 for infrastructure project spending (this estimate assumes a total of $925.0 million, including MSA staffing costs) and for debt service payments. The timing of project spending is unknown but can be expected to occur from at least fiscal 2025 through 2028, and likely longer due to the nature of infrastructure projects. Debt service payments are $13.8 million in fiscal 2025, $28.2 million in fiscal 2026, $42.7 million in fiscal 2027, and just under $58.0 million annually from fiscal 2028 through fiscal 2054 before tapering down and ending after $15.0 million in fiscal 2057.

As part of the overall funding to support the infrastructure projects described above, nonbudgeted MSA expenditures increase by $2.1 million in fiscal 2025, which accounts for the timing of the bill's mandated funding and related delays for agreements and BPW approval. This estimate reflects the cost of hiring 12 positions to manage MSA's role in overseeing the construction of infrastructure projects, including project managers, fiscal administrators, and a procurement officer. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	12.0
Salaries and Fringe Benefits	$1,998,908
Other Operating Expenses	92,215
Total FY 2025 MSA Staffing Expenditures	**$2,091,123**

Future year expenditures for MSA staff of $2.1 million to $2.3 million annually reflect salaries with annual increases and employee turnover. At the end of the project, the staff hired may be reallocated to other projects and paid for either through nonbudgeted funds or other project funding; however, that possibility is not reflected in the above estimate.

The Department of Legislative Services (DLS) notes that the mandated appropriation does not align perfectly with the debt service structure under MSA's estimate: there are additional funds available in fiscal 2025, 2026, and 2027. Those funds may be used by MSA as the authority chooses, within the constraints of BCIPFF, which could include a relatively minor amount of additional debt. Also, while the mandated appropriation is permanent, the initial rounds of debt service payments will end. Therefore, additional bonds may be issued at a later date, subject to the bill's overall requirements related to outstanding balances, agreements, and BPW approvals.

While State revenues may increase from additional economic activity as a result of the infrastructure investments, the amount and timing of such revenues is unknown and not reflected in the above estimate.

Maryland Department of Labor

MDL advises that it can work with MSA and Baltimore City to determine an apprentice utilization ratio consistent with the requirements of the bill with existing resources. MDL can also explore investments that are needed to increase the capacity and reach of apprenticeship programs run by skilled trade unions and other organizations with existing resources.

Local Fiscal Effect: The bill establishes processes that imply, but do not necessarily require, local matching funds to BCIPFF from Baltimore City. Some Baltimore City expenditures are likely to support infrastructure project construction, either through direct contributions to BCIPFF for use by MSA or through spending related to assisting MSA in the various projects selected. However, MSA spending under the bill may also supplant an unknown amount of infrastructure and/or total spending by the city, so the net effect on Baltimore City finances in any year is unknown but potentially significant, beginning as early as fiscal 2025.

Local government revenues may increase from additional economic activity as a result of the infrastructure investments; the amount and timing of such revenues is unknown.

Small Business Effect: Small businesses in the design, construction, utilities, and other related industry sectors potentially benefit from significant spending by MSA under the bill for various infrastructure projects. Small businesses in Baltimore City may also benefit generally from improved infrastructure. The effect will depend on the projects funded under the bill and how much is net-new spending in the city.

Additional Comments: Despite language in the bill referring to the MSA bonds as limited obligations, and not a debt, liability, or pledge of faith and credit or the taxing power of the State, the State Treasurer's Office advises that the bonds may be considered State debt and could affect the State's debt affordability ratios. MSA also advises that the bonds are probably considered tax-supported debt. DLS concurs. If general funds or other State taxes are used for the payment of debt service on the bonds, the debt will likely be categorized as State debt. The Capital Debt Affordability Committee is charged with reviewing the size and condition of State tax-supported debt and advising the Governor and the General Assembly each year regarding the maximum amount of new general obligation debt that may prudently be authorized for the next fiscal year.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 856 (Senator McCray) - Budget and Taxation.

Information Source(s): Maryland Stadium Authority; Board of Public Works; Maryland Department of Labor; State Treasurer's Office; Baltimore City; Department of Legislative Services

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