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**Maryland Stadium Authority
Testimony in Support with Amendments**

SB 926– Economic Development – Maryland Stadium Authority – Hagerstown
Multi–Use Sports and Events Facility

APPROPRIATIONS COMMITTEE

The Honorable, Delegate Maggie McIntosh, Chair
The Honorable, Delegate Mark S. Chang, Vice Chair

Written Testimony, Favorable with Amendments

Michael J. Frenz, Executive Director, Maryland Stadium Authority

While the Maryland Stadium Authority (MSA) supports the notion that the proposed Hagerstown Multi-Use Sports and Events Facility has the potential to provide economic development benefits to downtown Hagerstown, we object to lottery monies being taken from the Maryland Stadium Facilities Fund and transferred to the Hagerstown Multi-Use Facilities Fund to finance the debt on the proposed facility.

(1) The legislation limits MSA’s ability to upgrade Camden Yards Stadiums. The Maryland Stadium Facilities Fund is the vehicle from which debt service on bonds issued for Camden Yards Sports Complex stadiums is paid. There now exists a \$20 million annual cap on monies transferred from the State Lottery Fund to the Maryland Stadium Facilities Fund. Although the full \$20 million is not currently needed to service CYSC debt, placing monies for the Hagerstown facility under the same umbrella as those needed for CYSC stadium needs will limit MSA’s ability to upgrade those facilities. This will be particularly deleterious for MSA’s ability to fund stadium improvements in the next few years when the need to upgrade Oriole Park will brush up against the need to upgrade M&T Bank Stadium.

(2) The legislation may be viewed unfavorably by the Teams Limiting funds available for CYSC stadium improvements by including an allocation for Hagerstown under the \$20 million cap sends the wrong signal to the Orioles and the Ravens; both of whose stadium leases will terminate in the next few years. Both teams have an expectation that upon the execution of new stadium leases sufficient funds will be available to pay for improvements necessary to keep the stadiums in the top tier of MLB and NFL stadiums. Commingling funds for MSA and Hagerstown could be

interpreted as an act of bad faith by the Teams. This is especially serious since we are currently negotiating the terms of a new stadium lease with the Orioles, and soon will be doing so with the Ravens.

(3) The legislation could have negative credit implications SB926 reduces MSA's share of lottery funds allocated to the Maryland Stadium Facilities Fund by an open-ended amount (AT LEAST SUFFICIENT TO SERVICE THE PROJECT'S DEBT). This could be viewed negatively by the bond rating agencies and could cause prices of outstanding MSA bonds to fall harming owners of those bonds. Other things being equal, this could also impact interest rates on future MSA bond issuances for the CYSC.

(4) The legislation contains internal contradictions with respect to ownership and debt repayment

Typically, when MSA designs, finances, and builds a project such as this it enters into a lease/sublease agreement with the State where under the master lease, MSA rents the facility to the State and the State pays rent equal to debt service and under the sublease, the State will then rent the facility back to MSA who pays rent equivalent to the difference between actual revenues and expenses. The key to this arrangement is MSA owning the facility subject to debt issuance. The legislation has the Hagerstown-Washington County Industrial Foundation owning the facility, so the traditional lease/sublease arrangement will not work.

To recap, MSA does not oppose the legislation, instead, we oppose the idea of taking debt service amounts for the Hagerstown project from funds traditionally allocated only for the Camden Yards stadiums. We would oppose the use of the Camden Yards funds for any project not related to Camden Yards. Also, to be clear, we do not wish to own the Hagerstown Multi-Use Sports and Events Facility.

Instead of the financing scheme contained in the legislation, we instead propose that the funds for the Hagerstown project come from the general fund or revert to earlier versions of the legislation where the debt service funds came from the State Lottery Fund after and separate from funds allocated to the Maryland Stadium Facilities Fund for debt service related to Camden Yards.