

Testimony HB 1128_Rosenberg_Appropriations.pdf

Uploaded by: Samuel Rosenberg

Position: FAV

SAMUEL I. "SANDY" ROSENBERG
Legislative District 41
Baltimore City

Health and Government Operations
Committee

Chair

Health Occupations and
Long-Term Care Subcommittee

House Chair

Joint Committee on Administrative,
Executive, and Legislative Review



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Testimony of Delegate Samuel I. Rosenberg

Before the House Appropriations Committee

in Support of House Bill 1128

**Economic Development - Maryland Stadium Authority –
Baltimore City Infrastructure Projects**

Mister Chairman and Members of the Committee:

The infrastructure challenges plaguing Baltimore are well documented:

- We have 4,000 miles of water and sewer lines that have 800 water main breaks a year, but only enough money to repair 15 miles of those lines annually.
- Our roads, bridges, and tunnels have deteriorated to the point that transportation experts estimate that it would take \$2 billion in construction and maintenance just to bring them up to a basic level of adequacy.
- At least 20 percent of our residents do not have high-speed internet access at home.

Though widely lamented, there have been few proposals for addressing these infrastructure problems on a scale that would make a major impact. Investing in people, however, could be the key to fixing Baltimore's infrastructure.

By creating a program of bond initiatives focused on Baltimore infrastructure and tied to apprenticeship programs, we could provide funding and a skilled workforce to focus on our infrastructure needs at a much broader scale than has been possible in the past. At the same time, we could provide thousands of Baltimore residents with a pathway to a career that would provide economic security for them and their families.

House Bill 1128 would authorize the Maryland Stadium Authority to issue up to \$1 billion in bonds to finance Baltimore City infrastructure projects, including water lines, roads, bridges, open space, and broadband connectivity. Each project would be required to utilize a certain percentage of apprentices, specified by the Maryland Department of Labor.

To accomplish these goals, this bill would establish a Baltimore City Infrastructure Projects Financing Fund, with an annual budget of \$58 million provided by the Governor.

Though the initial price tag is substantial, the economic mobility that would accrue to participating apprentices would lead to increased tax revenue for the state and reduced costs for public benefits.

For these reasons, I urge a favorable report for HB 1128.

March 16, 2023

HB1128-APP-SWA.pdf

Uploaded by: Nina Themelis

Position: FWA



BRANDON M. SCOTT
MAYOR

*Office of Government Relations
88 State Circle
Annapolis, Maryland 21401*

HB 1128

March 16, 2023

TO: Members of the House Appropriations Committee
FROM: Nina Themelis, Interim Director of Government Relations
RE: House Bill 1128 – Economic Development – Maryland Stadium Authority – Baltimore City Infrastructure Projects

POSITION: Support with Amendment

Chair Barnes, Vice Chair Chang, and Members of the Committee please be advised that the Baltimore City Administration (BCA) **supports** House Bill (SB) 1128 **with amendment**.

HB 1128 would establish the Baltimore City Infrastructure Projects Financing Fund, which would authorize the Maryland Stadium Authority to issue up to \$1 billion in bonds for infrastructure projects in Baltimore City. These bonds would be used to finance site acquisition, design, construction, equipping, and furnishing for City projects. This bill would also mandate the Governor appropriate \$58 million in annually for debt service and allow the Board of Public Works to approve up to \$1 billion of bonds. Lastly, HB 1128 would require the Stadium Authority to receive a written request from Baltimore City for financing and construction management services for a project and require an agreement between the City and Stadium Authority in addition to approval from the Board of Public Works prior to issuance of bonds and work commencement.

The proposed legislation would allow for increased flexibility and financing options from the Authority bonds to improve Baltimore City infrastructure, resulting in enhanced reliability and resiliency to combat aging infrastructure across the city. This would greatly enhance and facilitate operations by limiting the time and resources typically required for the City to finance and contract services for certain infrastructure projects and allow for resources to be devoted to other projects and constituent needs. The Fund can also enable the City to leverage the bonds from the Authority to secure large-scale funding from the federal government for infrastructure projects and limit expenditures from the City's General Fund and the use of high interest loans for project financing. Lastly, additional financing from the Stadium Authority and the annual appropriation would reduce the debt service owed by the City and permit more opportunities to address specific infrastructure projects that have required significant funding that may otherwise restrict agency operations if funded in the current state.

The BCA requests an amendment to add “City buildings and facilities” to the list of eligible projects in the bill. This would help to finance major City facility projects such as the Sun Building and the Courthouse.

For these reasons, the BCA requests a **favorable with amendments** report on HB 1128.

HB 1128 Letter of Information.pdf

Uploaded by: Helene Grady

Position: INFO



Maryland

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AND MANAGEMENT

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HOUSE BILL 1128 Economic Development – Maryland Stadium Authority – Baltimore City Infrastructure Projects

STATEMENT OF INFORMATION

DATE: March 16, 2023

COMMITTEE: Appropriations

SUMMARY OF BILL: HB 1128 authorizes the Maryland Stadium Authority (MSA) to issue \$1 billion in debt to finance infrastructure projects in and for Baltimore City. The Governor would be required to annually appropriate \$58 million to the new Baltimore City Infrastructure Projects Financing Fund, which would be administered by MSA, to cover debt service costs on the bonds issued by MSA. The Governor must use increased tax revenue and general fund savings from federal reimbursements for Medicaid to make the mandated appropriation.

EXPLANATION: The proposed legislation authorizes MSA to issue up to \$1 billion in bonds for projects in Baltimore City dealing with water lines, roads, bridges, open space, and broadband connectivity. Baltimore City must request services from MSA in order to receive funding. MSA and the City must also require each project to utilize a ratio of apprentices as defined by the Maryland Department of Labor. It is unclear to DBM how the Department of Labor will set this ratio.

Like other projects in MSA's portfolio, when MSA is prepared to issue bonds for eligible projects, it must seek approval first from the Board of Public Works and notify the fiscal committees of the General Assembly 45 days prior to approval from the Board of Public Works. Also, like other MSA projects, bonds issued by the agency for these projects are not considered a debt or liability of the State. The funds raised from bond proceeds are to go into a new Baltimore City Infrastructure Projects Financing Fund. The Governor is required to appropriate \$58 million each year to the fund for debt service costs.

Section 3 of this bill requires this appropriation to be supported by increased tax revenue and general fund savings from federal reimbursements in the Medicaid program. However, there is no way to guarantee funds put toward this appropriation come from increased tax revenues or from general fund savings from Medicaid's federal fund reimbursements. General fund savings in Medicaid from federal fund reimbursements will disappear with the phaseout of the Enhanced Federal Medical Assistance Percentage (FMAP) beginning later in FY 2023 and any unused general funds in the program are either reappropriated to address funding needs in other programs in the Maryland Department of Health's budget or revert to the general fund. Section 4 of the bill requires the Maryland Department of Labor to explore investments needed to increase apprenticeship programs and thereby meet required apprenticeship ratios. It is unclear if the Department will incur costs to conduct this work.

This bill would supplement existing funding for Baltimore City capital projects supported by MSA:

- For example, MSA currently administers the Baltimore City Public School Construction Program under legislation that authorized MSA to issue \$1.1 billion in bonds for projects.
- MSA also supports Baltimore City Schools through the Built to Learn Act, which authorized MSA to issue up to \$2.2 billion in bonds for statewide school construction projects, of which Baltimore City receives 21%.
- MSA has also provided support to the City through managing the redevelopment and supporting the operations of the Baltimore Convention Center.
- In addition, MSA is a partner in the Department of Housing and Community Development’s Project C.O.R.E., which involves the strategic demolition of blighted structures for subsequent land redevelopment.
- MSA is implementing the Racing and Community Development Act of 2020, which authorizes MSA to issue \$180 million in bonds for the redevelopment of the area in and around the Pimlico Racetrack in Baltimore City.

Outside of MSA, Baltimore City receives capital support through other means, such as programs in the Department of Housing and Community Development, school construction programs administered by the Interagency Commission on School Construction, and Program Open Space administered by the Department of Natural Resources. Furthermore, recent federal legislation, such as the American Rescue Plan Act of 2021 and the Infrastructure Investment and Jobs Act provide revenue streams for infrastructure projects. An additional influx of infrastructure funding from the State may be superfluous to incoming federal funding and push up prices for construction-related goods and services for both public and private projects because of increased demand, worsening inflation in a sector that has already seen notable price increases in recent years. Lastly, as written, MSA indicates the debt authorized under this bill would be considered tax-supported and would be included in Capital Debt Affordability Committee (CDAC) calculations.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. In light of current economic uncertainty and the potential for a downturn, the Department urges caution in passing legislation significantly expanding State required expenditures without offsetting revenues. General fund mandates can have the effect of crowding out the State’s ability to fund staffing, salary adjustments, and in general invest strategically and holistically in State government’s human capital and the infrastructure required to carry out State government’s mission. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

General Fund Structural Budget Outlook, Fiscal 2024 – 2028 (\$ millions)

	Est. 2024	Est. 20235	Est. 2026	Est. 2027	Est. 2028
Structural Balance	\$337	\$232	\$263	\$529	\$1,113
Adjusted for Blueprint				-\$963	-\$1,207

Department of Legislative Services, January 2023 Fiscal Briefing

For additional information, contact Marc Nicole at (410) 260-7288 or marc.nicole@maryland.gov

INFO - Maryland Stadium Authority - HB1128 (SB0856)

Uploaded by: Michael Frenz

Position: INFO



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Executive Director

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Maryland Stadium Authority - Letter of Information

HB1128 (SB0856) Economic Development - Maryland Stadium Authority -
Baltimore City Infrastructure Projects

APPROPRIATIONS COMMITTEE

The Honorable, Chair, Delegate Ben Barnes
The Honorable, Vice Chair, Delegate Mark S. Chang

Written Testimony

Michael J. Frenz, Executive Director, Maryland Stadium Authority

Good afternoon Chair Barnes, Vice Chair Chang and honorable members of the Appropriations Committee, I am Michael Frenz, the Executive Director of the Maryland Stadium Authority (MSA) and I appreciate the opportunity to provide this written Letter of Information for HB1128 (SB0856) Economic Development - Maryland Stadium Authority - Baltimore City Infrastructure Projects.

As you know, HB1128 (SB0856), authorizes MSA to issue up to \$1.1 billion in bonds and use \$58.0 million in General Funds to cover the debt service. In order to do so, MSA would issue debt over a four year period of time.

It is most important to note that by using General Funds, it would classify this program as tax supported debt which could impact the State's ratios use for Capital Debt Affordability.

At a true interest rate of about 4.68%, tax-exempt, with a 30 year maturity, MSA estimates that the amount of proceeds available for construction will be only \$925 million. If interest rates continue to rise, this amount will continue to decline.

Like the Baltimore City Public Schools / 21st Century School Buildings Program, this legislation requests MSA to issue debt and provide construction management services. Therefore, MSA would have to hire a number of staff to oversee this new program by the bill's effective date of July 1, 2023. The new positions would include an executive program manager, four program managers, and three assistant program managers. Additional and critical personnel includes two fiscal, one procurement and one compliance staff. The bill as presently written does not provide any startup costs to help cover the new personnel and hiring of

consultants.

Furthermore, it would take approximately a year to eighteen months to develop the necessary documents to procure the first set of projects. The first financing of bonds would occur about the same time as this procurement.

By establishing the Baltimore City Infrastructure Projects Financing Fund, this infusion of State funds, through MSA, may expedite the City of Baltimore's ability resolve its aging infrastructure challenges for its citizens and businesses.

However, like with any new program, MSA will need time to better understand specifically what the City of Baltimore wishes to achieve. MSA believes this program could take up to eight to ten years to complete.

For the reasons expressed in this letter, MSA appreciates your additional consideration and looks forward to your report on HB1128 (SBo856) Economic Development - Maryland Stadium Authority - Baltimore City Infrastructure Projects. As always, and I am available for any questions the committee may have at any time.