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DEPARTMENT OF BUDGET 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

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