

SB 856 Economic Development – Maryland Stadium Aut

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Position: FAV

CORY V. McCRAY
Legislative District 45
Baltimore City

DEPUTY MAJORITY WHIP

Budget and Taxation Committee

Subcommittees

Chair, Health and Human Services

Vice Chair, Capital Budget

Executive Nominations Committee

Legislative Policy Committee

Joint Committee on Gaming Oversight



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Vote Yes on Senate Bill 856

Bill Title: Economic Development – Maryland Stadium Authority – Baltimore City Infrastructure Projects

Hearing Date: March 7, 2023, Budget and Taxation Committee

Greetings Chair, Vice Chair, and all members of the Committee

Mr. Chair, Mr. Vice Chair, and members of the Budget & Taxation Committee, I speak with you today in **support** of Senate Bill 856. Senate Bill 856 focuses on the improvement of infrastructure in Baltimore City. It will authorize the Maryland State Authority to focus on specified bonds to finance acquisition design, construction, equipping, and furnishing of any portion of certain infrastructure projects. The improved infrastructure includes water lines, roads, bridges, open space, and broadband connectivity.

In approving Senate Bill 856, it is imperative to provide a financing plan to certain committees of the General Assembly before seeking approval from the Board of Public Works on specified projects. There shall be a written request for financing and construction management services from Baltimore City. The request shall incorporate the following points:

- The location of the proposed Baltimore city infrastructure project.
- The amount, source, and timing of funding, not including authority bonds that may be issued to finance the Baltimore City Infrastructure project.
- A description of the anticipated use of the proposed infrastructure project.

Senate bill 856 will implement the use of the Baltimore City Infrastructure Projects Financing Fund. This fund shall include the annual budget of \$58,000,000 provided by the Governor to the city. The State treasurer shall invest money to the fund in the same manner as other state funds. No part of this fund shall revert or be created to the general fund or any special fund of the state.

In following the guidelines written in Senate Bill 856, the community will have improved infrastructure. Enhancing the appearance and quality of our city will be beneficial to all. For these reasons, I humbly ask for your support in approving Senate Bill 856.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Cory V. McCray', with a stylized flourish at the end.

Cory V. McCray
State Senator

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Uploaded by: Nina Themelis

Position: FWA



BRANDON M. SCOTT
MAYOR

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

SB 856

March 7, 2023

TO: Members of the Senate Budget and Taxation Committee
FROM: Nina Themelis, Interim Director of Government Relations
RE: Senate Bill 856 – Economic Development – Maryland Stadium Authority – Baltimore City Infrastructure Projects

POSITION: Support with Amendment

Chair Guzzone, Vice Chair Rosepepe, and Members of the Committee please be advised that my Baltimore City Administration (BCA) **supports** Senate Bill (SB) 856 **with amendment**.

SB 856 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, SB 856 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 SB 856.

SB 856 Letter of Information.pdf

Uploaded by: Helene Grady

Position: INFO



WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 856 Economic Development – Maryland Stadium Authority – Baltimore City Infrastructure Projects

STATEMENT OF INFORMATION

DATE: March 1, 2023

COMMITTEE: Senate Budget and Taxation

SUMMARY OF BILL: HB 1128/SB 856 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