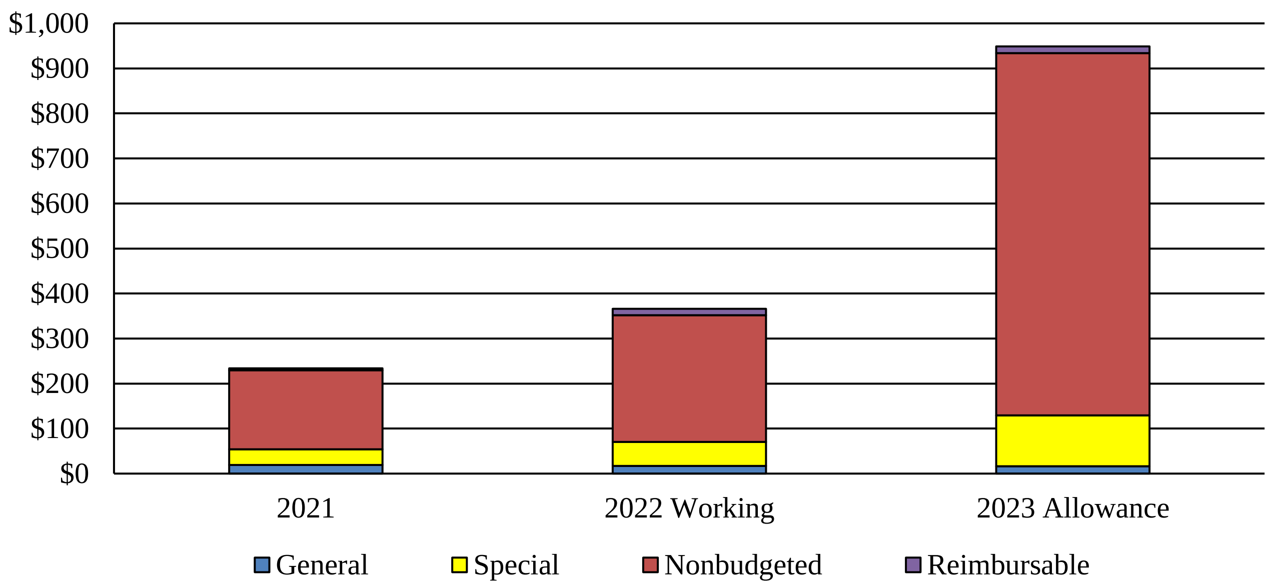
D28A03
Maryland Stadium Authority

Program Description

The Maryland Stadium Authority (MSA) was established for the construction, operation, and maintenance of facilities for the Orioles professional baseball and the Ravens professional football teams. MSA's authority has been extended to include the construction and financing for the Baltimore City Convention Center (BCCC) expansion, the Ocean City Convention Center (OCCC) expansion, participation with Montgomery County in the construction of a conference center, participation in the construction of the Hippodrome Performing Arts Center (Hippodrome) in Baltimore City, the financing and construction management of a program of school construction and renovation in Baltimore City, and financing and construction management for a statewide school construction and renovation program. The stadium authority also manages construction in and around Pimlico and Laurel Park racetracks. MSA conducts feasibility studies and manages construction projects for local governments and State agencies.

Operating Budget Summary

Fiscal 2023 Budget Increases $582.4 Million, or 159%, to $948.7 Million
($ in Millions)



Note: The fiscal 2022 working appropriation includes deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.

For further information contact: Patrick S. Frank Phone: (410) 946-5530

Fiscal 2022

Proposed Deficiencies

The operating budget bill includes two deficiency appropriations, specifically:

- $2,745,639 for BCCC. This represents the State's share of the operating deficits for fiscal 2020 ($789,319) and 2021 ($1,956,320). BCCC did not have any events from spring 2020 to fall 2021, and the resulting loss in revenues increased the operating deficit.

- $298,631 for the Michael Erin Busch Fund, which provides grants to youth and amateur sports programs across the State. In fiscal 2022, these funds are appropriated in the Office of Sports Marketing. There is a new program for these funds in fiscal 2023.

Hippodrome Payments Waived During COVID-19 Pandemic

The Hippodrome was renovated in 2003. Due to budget and physical constraints, a decision was made to have local vendors increase its HVAC capacity and supply heating and cooling for the Hippodrome rather than construct a central HVAC plant. However, this resulted in capital capacity and demand charges being passed through the operator of the Hippodrome. To cover these additional operating costs, the operator needed to charge higher fees that made it difficult to attract productions to the theatre. In August 2011, the Board of Public Works (BPW) approved an agreement whereby MSA would pay the operator $250,000 annually to defray the capital cost charges paid for HVAC utilities. In exchange, the operator would pay to MSA a $2 ticket surcharge for at least 220,000 tickets per year and an additional $0.25 for all tickets in excess of 350,000 sold in a year.

At the January 26, 2022, BPW meeting, both parties' obligations were waived from January 2021 through September 2022. As such, MSA does not pay the $250,000 for the Hippodrome utilities, and MSA does not get a minimum of $440,000 for the ticket surcharge. For MSA, this results in a net loss of $190,000 in fiscal 2022, with a one-half year loss in fiscal 2021 and a one-quarter year loss in fiscal 2022. This was done in response to decreased usage of the theatre that reduced both utility costs and ticket sales.

Fiscal 2023 Overview of Agency Spending

Exhibit 1 shows how MSA anticipates spending $949 million in fiscal 2023. Spending can be divided into four groups, specifically:

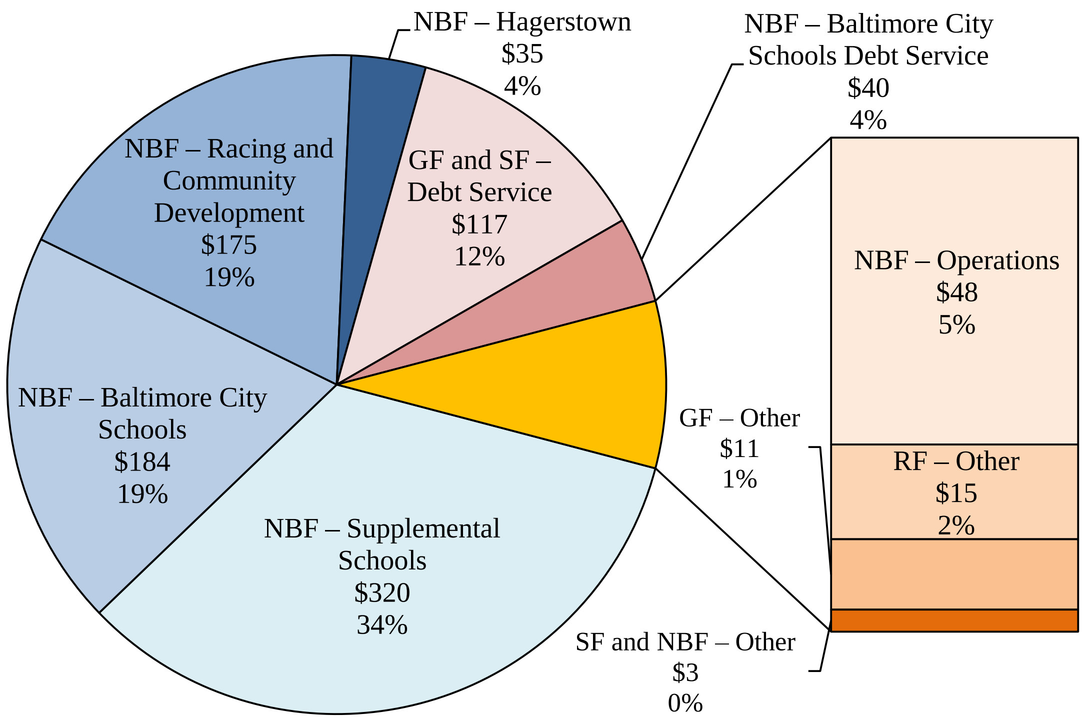
- $714 million, or 75%, is nonbudgeted funds (bond proceeds) spent on four construction programs: (1) supplemental school construction; (2) Baltimore City school construction; (3) Pimlico and Laurel Park racing and community development; and (4) a Hagerstown multi-use facility;

- $157 million, or 17%, supports debt service costs for the programs mentioned previously as well as MSA's stadium debt ($14.6 million), Montgomery County Conference Center debt ($1.6 million), and OCCC debt ($1.7 million);

- $48 million, or 5%, is MSA's revenue supporting MSA operations, which includes administration, the Office of Sports Marketing, and operating the Orioles' and Ravens' stadiums; and

- $29 million, or 3%, supports other activities, which include operating subsidies for BCCC and OCCC, the Michael Erin Busch Fund, and Project C.O.R.E (Creating Opportunities for Renewal and Enterprise).

Exhibit 1
Overview of Maryland Stadium Authority Spending
Fiscal 2023 Allowance
($ in Millions)



GF: General Fund
FF: Federal Fund
RF: Reimbursable Fund
SF: Special Fund
NBF: Nonbudgeted Fund

Source: Department of Budget and Management

Proposed Budget Change

Exhibit 2 shows that the fiscal 2023 allowance is $948.7 million, an increase of $582.4 million from the adjusted fiscal 2022 working appropriation.

Exhibit 2
Maryland Stadium Authority Budget Summary by Fund
Fiscal 2021-2023
($ in Thousands)

	Actual 2021	Working Appropriation 2022	Allowance 2023	Change 2022-2023
General Funds				
Baltimore City Convention Center – State Operating Deficit Contribution	$6,027	$10,862	$6,652	-$4,211
Ocean City Convention Center – State Operating Deficit Contribution	1,532	2,849	3,508	659
Montgomery County Conference Center – State Portion of Construction Costs	1,556	1,556	1,555	-1
Hippodrome Performing Arts Center – State Portion of Construction Costs	1,383	1,383	0	-1,383
Hagerstown Multi-Use Facility Fund	0	0	3,750	3,750
General Administration	8,500	0	0	0
Office of Sports Marketing	100	500	1,000	500
Subtotal	***$19,098***	***$17,150***	***$16,464***	***-$686***
Special Funds: State Lottery Revenues, Education Trust Fund, and Admissions and Amusement Tax				
Lottery Transfer to Maryland Stadium Authority Facilities Fund for Debt Service on Camden Yards Projects	$15,208	$15,233	$14,637	-$596
Lottery Transfer to the Baltimore City Public School Construction Financing Fund	20,000	20,000	20,000	0
Racing and Community Development Financing Fund	0	17,000	17,000	0
Supplemental Public School Construction Financing Fund (Built to Learn)	0	0	60,000	60,000
Michael Erin Busch Fund	0	0	1,500	1,500
Office of Sports Marketing	0	1,299	0	-1,299
Subtotal	***$35,208***	***$53,532***	***$113,137***	***$59,606***

	Actual 2021	Working Appropriation 2022	Allowance 2023	Change 2022-2023
Nonbudgeted Funds: Maryland Stadium Authority Funds and Grant from Baltimore City				
General Administration	$1,797	$4,961	$4,523	-$437
Camden Yards' – Debt Service and Other Costs Not Funded by Lottery Revenues	661	16,534	6,029	-10,505
Camden Yards Complex Facilities Management	21,353	27,886	36,888	9,001
Facilities Management for Oriole Park Improvements Per Orioles' Lease	0	200	200	0
Office of Sports Marketing	417	552	589	37
Subtotal	***$24,228***	***$50,133***	***$48,228***	***-$1,905***
Nonbudgeted Funds: Non-State Facilities				
Ocean City Convention Center	$0	$7,209	$1,723	$-5,486
Hippodrome Performing Arts Center Ticket Surcharge	160	440	250	-190
Project C.O.R.E.	8,677	0	0	0
Racing and Community Development Facilities Fund	1,596	10,500	175,000	164,500
Hagerstown Multi-Use Facility Fund	0	0	34,600	34,600
Subtotal	***$10,434***	***$18,149***	***$211,573***	***$193,424***
Nonbudgeted Funds: School Financing and Construction				
Baltimore City School Financing Fund	$39,957	$40,000	$51,451	$11,451
Baltimore City School Facilities Fund	100,710	173,026	173,026	0
Supplemental Public School Construction Financing Fund (Built to Learn)	0	0	320,000	320,000
Subtotal	***$140,667***	***$213,026***	***$544,477***	***$331,451***
Reimbursable Funds				
General Administration	$3,904	$4,332	$4,843	$510
Baltimore City School Construction Facilities	0	0	0	0
Project C.O.R.E.	0	10,000	10,000	0
Youth and Amateur Sports Program	0	0	0	0
Subtotal Reimbursable Funds	***$3,904***	***$14,332***	***$14,843***	***$510***
Total	**$233,539**	**$366,322**	**$948,723**	**$582,401**

C.O.R.E.: Creating Opportunities for Renewal and Enterprise

Source: Department of Budget and Management

General Fund Appropriations

General funds comprise a small portion of MSA's budget and are used to supplement debt service and operational costs for various economic development projects undertaken by the State.

- ***BCCC:*** Section 10-640 of the Economic Development Article requires MSA to contribute two-thirds of the annual operating deficit of BCCC through December 31, 2029. MSA is also required to contribute $200,000 into the capital improvement fund. The fiscal 2023 allowance includes $6.5 million for the operating deficit and $200,000 for the capital improvement fund. This amount had been fairly constant in recent years but has been larger in fiscal years affected by the COVID-19 pandemic.

- ***OCCC:*** MSA is also required under Section 10-643 of the Economic Development Article to contribute one-half of the annual operating deficit of OCCC and $50,000 into a capital improvement reserve fund. The amount contributed to the capital improvement reserve fund increases to $100,000 beginning in fiscal 2023. The fiscal 2023 allowance provides $1.9 million for these purposes. Chapters 217 and 218 of 2019 authorized up to $24.5 million in bonds supported by State revenues. Bonds with a par value of $20.9 million were issued in November 2019. The first four debt service payments will be made by the capitalized interest fund. State payments began in fiscal 2022. The fiscal 2023 debt service payment is $1.7 million.

- ***Hippodrome:*** The final debt service payment totaling $1.38 million in general funds was made in fiscal 2022.

- ***Montgomery County Conference Center:*** The fiscal 2022 allowance provides $1.6 million in general funds for the debt service costs for the authority's revenue bonds. The last debt service payment is in fiscal 2024.

- ***General Administration:*** MSA generates a share of its revenues from admissions taxes on tickets sold to attendees of Orioles and Ravens home games. Canceling games during the pandemic reduced MSA revenues. To offset this reduction, MSA received $8.5 million in general fund revenue in fiscal 2021 deficiency appropriations.

- ***Office of Sports Marketing:*** General fund appropriations for the office are $100,000 in fiscal 2021 to support its efforts to secure Maryland's place as a host to the 2026 FIFA World Cup, $500,000 in fiscal 2022 to support one-time funding for an equine event at Fair Hill, and $1,000,000 in fiscal 2023 to support an event at Fair Hill and the Maryland Cycling Classic.

Special Funds

Lottery proceeds support debt service payments on the Camden Yards Complex. The fiscal 2023 allowance includes $14.6 million in special funds for this purpose.

Also included in the fiscal 2023 allowance is an additional $20 million in lottery proceeds to support MSA activities related to the Baltimore City school construction program. This is discussed further under the Key Observations section of this analysis.

Legislation requires that $17 million in lottery revenues are deposited into the Racing and Community Development Financing Fund beginning in fiscal 2023. These funds support debt service payments related to the revitalization of the Pimlico and Laurel Park racetracks and are required until the 30-year bonds are retired. This is discussed further under the Key Observations section of this analysis.

Legislation enacted in 2021 requires that $60 million from the Education Trust Fund (ETF) is appropriated into the Supplemental Public School Construction Financing Fund in fiscal 2023. This is discussed further under the Key Observations section of this analysis.

In addition to the deficiency appropriation, the Office of Sports Marketing received a $1 million special fund appropriation for the Michael Erin Busch Fund in fiscal 2022. In fiscal 2023, the Michael Erin Busch Fund has its own program, and these funds are no longer budgeted in the Office of Sports Marketing. The fund receives a $1.5 million appropriation in fiscal 2023. The sources of these funds are (1) lottery revenues and (2) admissions and amusement tax revenues.

Nonbudgeted Funds: MSA and Grants

The MSA Financing Fund is a nonbudgeted account from which all the MSA operational expenses are paid, including the general administration of the Camden Yards Complex, repairs, renovations, and debt service payments. The fund is primarily supported through lottery and bond proceeds but also includes additional revenues associated with rent from the Orioles, operations and maintenance reimbursement from the Ravens, lease agreements at the warehouse and Camden Station, stadium admissions taxes, and MSA project management fees.

MSA is required to pay rent to the State equal to the difference between its actual revenues and budgeted resources, and MSA can reserve funds for working capital and projects. The rent formula is built into the sublease agreements for Camden Yards. The convention centers have always operated at a deficit, so no rent is due on those subleases. Therefore, activity at the Camden Yards Complex generates the rent payment, if any. Based on estimated revenues and expenditures, no rent payment is expected from fiscal 2019 to 2023. The most recent rent payment was $1 million in fiscal 2015.

MSA's revenues also support the Office of Sports Marketing.

Nonbudgeted Funds: Non-State Facilities

MSA is supporting the financing and construction of horse racing facilities (Pimlico and Laurel Park) and a minor league baseball (MiLB) stadium in Hagerstown. MSA sells bonds to fund these projects and uses the proceeds to support design and construction and other associated costs. The nonbudgeted funds are anticipated costs. These projects are discussed in the Key Observations section of this analysis.

With Project C.O.R.E, MSA serves as the project manager and oversees the demolition of vacant buildings that are identified by Baltimore City and the Department of Housing and Community Development (DHCD). The goal is to identify projects that build upon existing community strengths and assets. In fiscal 2021, $8.7 million was expended for Project C.O.R.E.

Nonbudgeted Funds: School Financing and Construction

MSA issues bonds and administers two programs that support local school construction and renovation, the Baltimore City public school construction program and the supplemental public school construction program. Each of these is discussed in the Key Observations section of this analysis.

Reimbursable Funds

Approximately $4.8 million is provided for positions supporting school construction. Project C.O.R.E anticipates receiving $10 million from DHCD.

Key Observations

1. Baltimore City School Construction and Revitalization Program

The Baltimore City Public Schools (BCPS) system has the oldest school buildings in the State. In response to the critical need for public school facility improvements in Baltimore City, Chapter 647 of 2013 established a new partnership between the State, Baltimore City, and BCPS to fund up to $1.1 billion in public school facility improvements through revenue bonds to be issued by MSA.

The partners executed a memorandum of understanding (MOU) that established the specific roles and responsibilities of each party to implement the construction plan. In general, MSA is responsible for the oversight of new and renovation projects; providing the financing; and managing the construction, contracts, and budgets related to the program.

The role of the city schools, as outlined in the MOU, is to manage some of the renovation projects, control the feasibility studies, and update the Comprehensive Maintenance Plan annually. The Interagency Commission on School Construction (IAC) is responsible for the approval of maintenance plans, school utilization rates and, more broadly, all 10-year projects.

Exhibit 3 shows each school that is currently included in the program, the type of project that will be undertaken to the extent known, and each project's current phase.

Exhibit 3
Baltimore City School Revitalization Plan
School Replacement and Renovation Schedule

School	Project Type	Program Phase
Commodore John Rodgers Elementary/Middle School	Replacement	Predesign, to open in August 2024
Highlandtown #237 Elementary/Middle School	Addition and Cosmetic Renovation	Construction underway to open in December 2022
Cross Country Elementary/Middle	Replacement	Construction underway to open in August 2023
Montebello Elementary/Middle School	Renovation and Addition	Construction underway to open in December 2022
Northwood Elementary School	Replacement	New building opened in January 2021. Demolition and site complete summer 2022
Govans Elementary School	Replacement	Opened August 2021
Harford Heights and Sharp Leadenhall Elementary School	Renovation	Opened August 2021

School	Project Type	Program Phase
James Mosher Elementary School	Renovation and Addition	Opened August 2021
Calverton Elementary/Middle School	Replacement	Opened August 2021
Robert W. Coleman Elementary School	Renovation and Addition	Opened August 2021
Patterson High School	Replacement	New building opened in August 2021, demolition and site complete June 2022
Medfield Heights Elementary School	Replacement	Opened January 2021
Walter P. Carter and Lois T. Murray Elementary/Middle School	Replacement	Opened January 2021
Mary E. Rodman Elementary School	Renovation and Addition	Open
Frederick Elementary/Middle School	Renovation and Addition	Open
Ft. Worthington Elementary/Middle	Replacement	Open
Wildwood Elementary/Middle School (formerly Lyndhurst)	Renovation and Addition	Open
John Eager Howard/Dorothy I Height Elementary School	Renovation and Addition	Open
Robert Poole Building	Renovation and Addition	Open
Cherry Hill Elementary/Middle School	Renovation and Addition	Open
Arundel Elementary School	Replacement	Open
Forest Park High School	Renovation and Addition	Open
Pimlico Elementary/Middle School	Renovation and Addition	Open
Arlington Elementary School	Renovation and Addition	Open
John Ruhrah Elementary/Middle School	Renovation and Addition	Open
Calvin M. Rodwell Elementary/Middle	Replacement	Open
Bay-Brook Elementary School	Replacement	Open
Fairmont-Harford High School	Renovation and Addition	Open

Source: Maryland Stadium Authority, January 2022

Chapter 647 established the means by which the revitalization program would be financed by enabling MSA to issue up to $1.1 billion in debt with a debt service cap of $60 million annually. There are two nonbudgeted funds administered by MSA to finance the improvements to BCPS facilities. These funds are supported by annual contributions from Baltimore City, the Baltimore City Board of

School Commissioners, and the State (through lottery proceeds). The funds pay for the debt service; design and construction costs; startup costs; administration; overhead; and operations related to management, including all reasonable charges and expenses related to MSA oversight and project management responsibilities. **Exhibit 4** shows that $974 million in par value has been issued, to date. Insofar as this authorization is limited to $1.1 billion, there is $126 million in additional capacity.

Exhibit 4
Baltimore City School Revitalization Bonds' Issuances
Calendar 2016-2020
($ in Millions)

Year Issued	Par Value of New Debt Issued	Premium Net of Issuance Costs	Total Available Project Funds
2016	$320	$66	$386
2018	426	70	496
2020	228	98	326
Total	**$974**	**$234**	**$1,209**

Source: Maryland Stadium Authority

Series 2022 Bond Issuance

Since there is capacity remaining to issue bonds, MSA plans on issuing new bonds in early calendar 2022 with a par value of $67.7 million, specifically the following series:

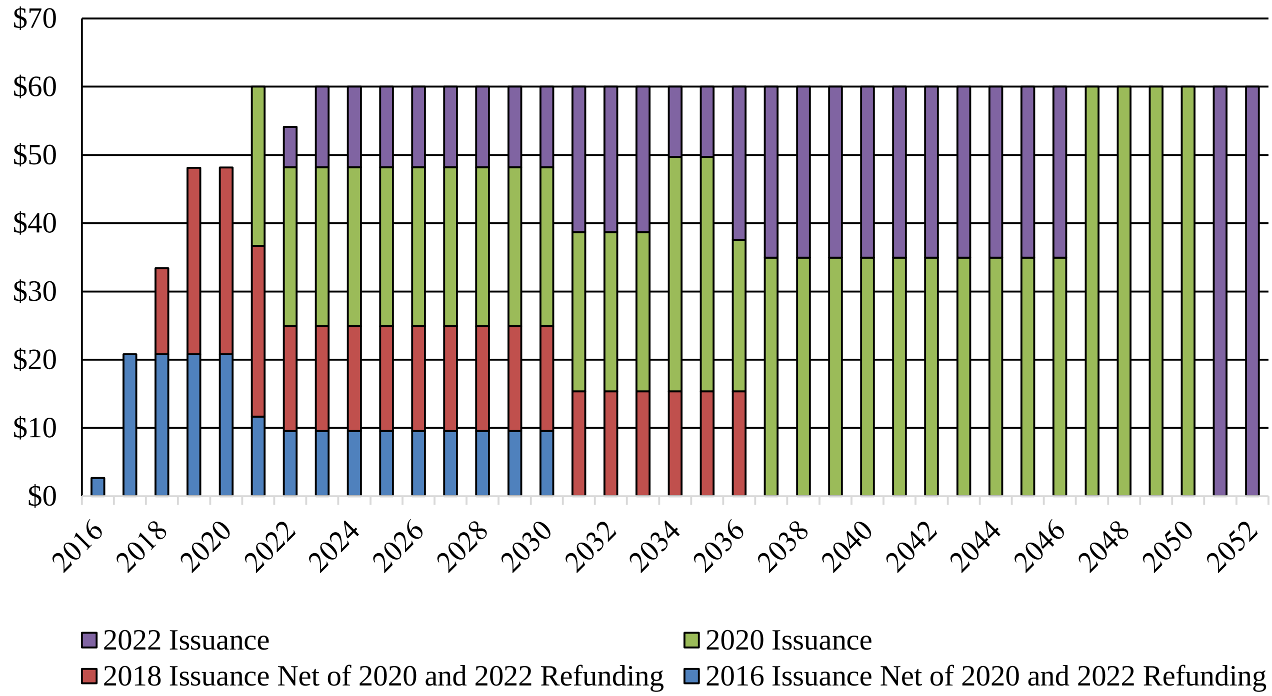
- Series A is a taxable refunding that reduces debt service costs between $0.6 million and $8.8 million from fiscal 2022 to 2037. While the savings from the refunding do not generate any project funds, they allow for Series B to structure debt service payments so that they are about the same as the savings and stay within the $60 million limit. Proceeds for the project fund total $20.2 million, which is $15.7 million in par value and $4.5 million in premiums less transaction costs.

- Series C extends the debt service payments by two years through the issuance of capital appreciation bonds (also known as zero coupon bonds). The proceeds total $52 million. There are no debt service payments until fiscal 2051 and 2052. The bondholders get back their $52 million investment and another $68 million in capital appreciation. The implicit true interest cost is 2.83% for the bonds retiring in fiscal 2051 and 2.84% for the bonds retiring in fiscal 2052.

Exhibit 5 shows the debt service costs associated with the refunding from fiscal 2022 to 2046 and how debt service costs are extended to fiscal 2051 and 2052. The plan is to refund all

2018 issuances that mature from fiscal 2037 to 2046. Since this is an advanced refunding, taxable bonds are used for Series A.

Exhibit 5
Debt Service for Baltimore City School Revitalization Bonds
Fiscal 2016-2052
($ in Millions)



Source: Maryland Stadium Authority

These estimates are based on market conditions. Should interest rates change, bond sale proceeds could change. A concern is that interest rates seem to be more likely to increase than decrease. The Federal Reserve is expected to increase short-term interest rates, and inflation has been higher than anticipated. Both of these factors tend to increase long-term interest rates. The knock-off effects of higher interest rates are that:

- Series A realizes less refunding savings, so that Series B has less proceeds. If rates increase, Series B could be doubly impacted since this would result in (1) less debt service savings, which reduces how much is available to pay debt service and thus reduces proceeds, and (2) a higher cost for issuing debt, which reduces the amount of proceeds realized that is supported by a given level of debt service; and

- Series C will require a larger capital appreciation, which reduces the amount of proceeds available for projects. This is because the bond prices and bond yields are inversely related so that if one increases, the other decreases.

2. The Built to Learn Act

In March 2020, the General Assembly passed HB 1, the Built to Learn Act, which was enacted into law as Chapter 20 of 2020. However, this law was contingent on enactment of HB 1300 of 2020, the Blueprint for Maryland's Future, which was vetoed by the Governor. In 2021, the General Assembly overrode the veto, after which Chapter 20 immediately took effect. Because of the veto, funding mandates do not apply to fiscal 2022. Chapter 698 of 2021, which made revisions to Chapter 20, was subsequently enacted into law.

Chapter 20 authorizes MSA to issue up to $2.2 billion in revenue bonds to support public school facilities. The bonds are backed by mandated State appropriations from the ETF. Prior to the issuance of any Built to Learn bonds, MSA and IAC must enter into a program MOU that sets forth, among other things, the selection criteria under which schools will receive priority in funding under this program. This program MOU was approved on July 8, 2021. Additionally, Chapter 20 requires an MOU between MSA, local boards of education, and local governments for proposed projects before any Built to Learn funds may be allocated to a project. Any allocation for an approved project must be used within 10 years or be subject to reallocation.

The Supplemental Public School Construction Financing Fund is used to pay debt service on bonds issued by MSA for State school construction projects and all reasonable charges and expenses related to the issuance of bonds. The revenue source for this fund is transfers from the ETF, which collects proceeds from video lottery terminals and table games at licensed gaming facilities. Chapter 20 directs the Comptroller to make semiannual deposits from the ETF to the financing fund on May 1 and November 1 of each year starting in fiscal 2022. Since the Governor vetoed HB 1300 and the override occurred after the fiscal 2022 budget was prepared, the fiscal 2022 funds were not required to be provided by the Governor. Annual debt service funded with the ETF deposits is as follows:

- $60,000,000 in fiscal 2023; and

- $125,000,000 in fiscal 2024 and subsequent years; or

- $100,000,000 beginning in fiscal 2026 if Prince George's County enters a public-private partnership (P3) agreement.

Any funds not needed for debt service and related costs or the Prince George's County P3 may be transferred to the Supplemental Public School Facilities Fund, which is primarily to be used to pay (1) school construction and design costs, including any startup costs, administration, overhead, and operations related to management of improvements, and (2) all reasonable charges and expenses related to MSA's oversight and project management responsibilities. Counties may be reimbursed from the facilities fund upon approval from IAC for eligible projects that begin construction on or after June 1, 2020. This fund can also be used to pay debt service as well as expenses incurred as part of the Prince George's County P3 agreement.

The first series of bonds were issued in November 2021. A second issuance is planned in March 2022. As with the Baltimore City school construction bonds, MSA is concerned that rising interest rates will reduce the available bond proceeds. **Exhibit 6** shows that as much as $786 million could be available for school construction from the first two bond sales.

Exhibit 6
Built to Learn Bond Issuances
Fiscal 2021-2052
($ in Millions)

	Actual Series 2021	Proposed[1] Series 2022	Remaining Capacity
Fiscal Year that Issuance Matures	2051	2052	n/a
Par Value	$257.0	$458.5	$1,484.5
Premium Net of Issuance and Capitalized Interest Costs	28.9	41.5	n/a
Total Available for Project Fund	**$285.9**	**$500.0**	**n/a**
Annual Debt Service[2]	$14.8	$23.4	$61.7

[1] The proposal is up to $459 million in par value. The Maryland Stadium Authority will only issue what has been approved by the Interagency Commission on School Construction. Should less be approved, par value would be reduced.
[2] Since the fund earns interest, actual debt service could exceed the $100 million appropriation in some fiscal years.

Source: Maryland Stadium Authority

3. Racing and Community Development Act

The Racing and Community Development Act (Chapter 590 of 2020) authorizes MSA to issue up to $375 million in bonds for financing, planning, design, construction, and related expenses for racing facilities at Pimlico and Laurel Park, currently owned by the Maryland Jockey Club, which is a subsidiary of the Stronach Group. The bonds support improvements to both facilities, including the clubhouse, racetracks, stables and barns, and associated roads and walkways.

The Racing and Community Development Financing Fund is a revolving fund for implementing provisions of law concerning racing and community development projects and for the payment of debt service expenses incurred by MSA, or otherwise approved by MSA, concerning the projects. The financing fund will issue 30-year bonds. Beginning in fiscal 2022, the bill requires the transfer of $17 million from the State Lottery Fund to the Financing Fund for each fiscal year until the bonds issued for a racing facility have matured. **Exhibit 7** summarizes the revenues from the lottery and revenues deposited into the lottery. To take into account the present value of the cash flows, out-year revenues are discounted at a 3% annual rate. As shown in Exhibit 7, lottery revenues supporting debt service costs exceed projected revenues that will be deposited into the lottery fund.

Exhibit 7
Pimlico and Laurel Park Lottery Revenue Swaps
Fiscal 2022-2052
($ in Millions)

	Annual Revenues	Total Revenues	Present Value of Revenues[1]
Revenues to Financing Fund			
Lottery Revenues for Debt Service (Fiscal 2022 to 2052)	$17.0	$527.0	$336.0
Revenues to Lottery			
From Purse Dedication Account (Fiscal 2022 to 2052)	$5.0	$155.0	$98.8
From Baltimore City Pimlico Area Gaming Grants (Fiscal 2022 to 2032)	3.5	38.5	32.2
From Baltimore City Gaming Grants (Fiscal 2033 to 2052)	3.5	70.0	36.9
Thoroughbred Allocation from Racetrack Facility Renewal Account (Fiscal 2022 to 2032)[2]	3.9 to 10.0	84.3	72.3
Total Revenues to Lottery	**$12.0 to $18.0**	**$347.8**	**$240.3**

[1] Discount rate is 3.09%, which is the interest rate assumed for the bonds in the fiscal note.
[2] Racetrack Facility Renewal Account receives 1% of video lottery terminal revenues from each casino for the first 16 years of operation. In the forecast period, these revenues peak at $10 million in fiscal 2025 and 2026. The final year's deposits are expected to be $3.9 million in fiscal 2032.

Source: Department of Legislative Services

Status of Pimlico and Laurel Park Improvements

MSA advises that these projects are still in the programming phase. The Pimlico program is set, but the stakeholders continue to discuss the Laurel Park program. There are 10 to 15 agreements that need to be executed prior to bond issuance and construction. MSA is currently focused on the transition. Until the transition plan is completed, it is unclear what racing seasons will be affected by the construction.

A schedule provided to the Department of Legislative Services (DLS) in December 2019 projected that the Laurel Park construction would be done first and then Pimlico construction. The plan expected Laurel Park's construction to be completed in 2022 so that racing at Laurel Park could begin in February 2022. Since programming is not yet complete, this schedule has slipped by at least two years. Under the schedule presented to DLS, an initial bond sale would have been in November 2019.

It is unclear when bonds will be issued, but at this point, the first bond sale is unlikely to be prior to spring 2023. Consequently, the first debt service payments would be in fiscal 2024. The earliest major construction is anticipated for summer 2023 but is dependent on a transition plan and Laurel Park program resolution.

The fiscal 2022 operating budget appropriated $17 million into the financing fund, and the fiscal 2023 allowance includes another $17 million. Since no bonds were issued, neither of these appropriations is necessary for debt service. MSA has expressed concerns that interest rates are expected to increase, which would reduce the proceeds from bond sales available for this project. Consequently, the delays will either (1) reduce the amount of funds available for the project or (2) increase the State's costs. Section 10–646.1 (f) of the Economic Development Article requires that the Comptroller deposit appropriations into the fund until there is no longer any debt outstanding. Should MSA issue 30-year bonds two or more years later than planned, debt service from the initial payments could supplement the project by adding at least $34 million in additional appropriations to the financing fund, so extending the period until bonds mature can increase the State's support for this project.

Issues with Track at Laurel Park

After the deaths of eight horses in October and November 2021, racing at Laurel Park was suspended on December 3, 2021. These fatalities brought the number of total fatalities from January to November 2021 at Laurel Park to 18, 8 during training, 6 during races, and 4 unrelated to racing and training. Concerns were raised that the condition of the track that was resurfaced in summer 2021 was contributing to the factors that led to these fatalities. According to the Maryland Thoroughbred Horsemen's Association, there was a cluster of fatalities at about the same spot and that the track was the reason for the fatalities. According to the Thoroughbred Daily News, the Laurel track superintendent noted that the clay content of the track was higher than anticipated. To address this, a more expensive silica sand was added to the track while racing was suspended. This was done to cushion the track, which was tested and determined to be safer. Racing resumed on December 16, 2021.

MSA should be prepared to brief the committees on the track at Laurel Park. This should include if adding the silica sand was sufficient or if other costs will need to be incurred to provide a long-term solution to reduce fatalities. The authority should also be prepared to discuss if costs associated with reducing fatalities will increase the total cost of renovations at Laurel Park.

4. Hagerstown Multi-Use Sports and Event Facility

Chapter 353 of 2021 authorizes MSA to issue up to $59.5 million of taxable or tax-exempt bonds to finance the acquisition, design, construction, renovation, and related expenses for the Hagerstown Multi-Use Sports and Events Facility. Chapter 353 also mandates that the Governor appropriate $3.75 million in general funds annually from fiscal 2023 to 2052 to pay for debt service costs through the 30-year term of the bonds. The mandated debt service appropriation will flow through the Hagerstown Multi-Use Sports and Events Facility Fund established in the legislation. For this project, there is a facility fund that supports both debt service and construction.

Prior to the enactment of Chapter 353, MSA prepared a Phase I market analysis and a subsequent Phase II study that focused on site, parking, and environmental assessments in addition to preliminary project cost estimates. In May 2021, the City of Hagerstown selected one of the four concepts from the Phase II Study and has identified parcels in downtown Hagerstown that are referred to as the "Baltimore Street Site" for acquisition.

The city has entered into an agreement with MiLB's Atlantic League to have an MiLB baseball team placed in a new stadium. MSA advises that the stadium will be designed in accordance with current MiLB guidelines with a capacity of approximately 5,000, including standing room only sections. The plan also includes additional event and community space with a capacity of approximately 400 visitors. The stadium design will also accommodate other sports; though not limited to soccer, MSA specifically identified the United Soccer League as an example of other uses for the new stadium.

Property Acquisition and Title

MSA has entered into an agreement with the Maryland Department of Transportation (MDOT) State Highway Administration (SHA) to provide real property acquisition services for the parcels needed to construct the facility. SHA will procure appraisals, negotiate with property owners, develop offers and contracts of sale, and oversee deed preparation.

Prior to issuing the bonds, MSA is required to secure a written agreement containing the terms and conditions to transfer ownership to the Hagerstown-Washington County Industrial Foundation. Upon completion or substantial completion of the facility, MSA will convey fee title to the property and facility to the foundation. At that time, the State, MSA, and the foundation will enter into lease agreements as necessary to ensure annual State appropriations are deposited into the Hagerstown Multi-Use Sports and Events Facility Financing Fund to make the debt service payments.

Financing Plan and Issuance

In its December 2021 financing plan, MSA advises that the total cost for the facility is $84.1 million, comprised of $12.5 million for acquisition, $3 million for design, and $68.5 million for construction. As shown in **Exhibit 8**, MSA anticipates issuing slightly over $58.3 million in bonds. Based on the anticipated low interest rate environment at the time of the issuance, MSA anticipates that the sale will generate another $15.7 million of bond premiums. These sources, combined with $10.5 million of previously appropriated State capital grant funds, provide $84.5 million to support the project.

Exhibit 8
Total Sources and Uses
($ in Thousands)

Sources	Amount
Tax-exempt Bond Sale Par Value	$52,235
Tax-exempt Bond Sale Premium	15,726
Taxable Bond Sale Par Value	6,050
State Capital Grants	10,500
Total Sources	**$84,511**
Uses	
Project Fund	$78,049
Industrial Foundation	6,000
Delivery Date Expenses and Other Proceeds	462
Total Uses	**$84,511**

Note: The amounts shown in the exhibit are estimates. Final amounts will be available after the bond sale.

Source: Maryland Stadium Authority

5. Will MSA's Large Bond Program Get Even Larger?

Chapter 283 of 1986 created MSA to construct and operate stadium sites for professional baseball and football in the Baltimore area. MSA is authorized to issue taxable and tax-exempt revenue bonds for property acquisition and construction costs related to two stadiums at Baltimore's Camden Yards. The authority may also participate in the development of practice fields, team offices, parking lots, garages, and related properties.

In subsequent years, MSA's role was expanded to include managing and issuing revenue bonds to renovate and expand convention centers in Baltimore and Ocean City, construct a conference center in Montgomery County, renovate the Hippodrome, and renovate Camden Station. More recently, MSA's role has been expanded to issue (1) up to $1.1 billion in debt for the purpose of constructing and improving public school facilities in Baltimore City; (2) up to $2.2 billion for public school facilities statewide; and (3) up to $375 million for horse racing and community development. The Baltimore City school debt, statewide school debt, and racing debt is not considered debt of the State. **Exhibit 9** lists MSA's tax-supported authorized debt, debt outstanding, and annual debt service.

Exhibit 9
Revenue Debt Authorizations, Debt Outstanding, and Debt Service
($ in Thousands)

Project	Revenues Supporting Debt	Authorized	Outstanding as of June 30, 2021	Debt Service Fiscal 2021
State Debt				
Baseball and Football Stadiums[1]	Lottery and MSA	$235,000	$78,901	$12,268
Hagerstown Multi-Use Sports and Events Facility	General Fund	59,500	0	0
Montgomery County Conference Center	General Fund	23,185	4,240	1,556
Baltimore City Convention Center	General Fund	55,000	0	0
Ocean City Convention Center	General Fund	24,500	20,915	918
Hippodrome Performing Arts Center	General Fund and Ticket Surcharge	20,250	1,545	1,579
Camden Station[1]	Lottery and MSA	n/a	2,870	757
Subtotal		***$417,435***	***$108,471***	***$17,079***
Non-State Debt				
Baseball and Football Stadiums[1]	Lottery and MSA	n/a	$7,095	$2,081
Baltimore City Public Schools	Lottery, Baltimore City, State grants to Baltimore City	$1,100,000	978,525	59,998
Built to Learn	ETF	2,200,000	0	0
Non-State Debt				
Horse Racing Facilities	Lottery	375,000	0	0
Supplemental Facilities Fund	MSA	25,000	0	0
Subtotal		***$3,700,000***	***$985,620***	***$62,080***
Total		**$4,117,435**	**$1,094,091**	**$79,158**

ETF: Education Trust Fund
MSA: Maryland Stadium Authority

Source: Maryland Stadium Authority

Authorizing Additional Stadium Debt

MSA had indicated plans to introduce departmental legislation that increases bond authorizations to construct or renovate stadiums. Legislation could increase the bond authorizations for the Orioles and Ravens sports facilities at Camden Yards from $235 million to $1.2 billion and create a new Sports Entertainment Facilities Financing Fund with a debt limit of $200 million. If enacted, the legislation would increase MSA's total bonding authority to $5.3 billion.

Increasing Debt Capacity at the Sports Facilities at Camden Yards

The Orioles lease for Camden Yards ended in 2021, and the Orioles signed a two-year extension taking the lease through 2023. The Ravens lease for M&T Bank Stadium ends after the 2027-2028 season in February 2028.

MSA will be negotiating with the teams to extend these leases. By law, a negotiated lease, renewal, or extension of a lease cannot terminate prior to the maturity date or payoff of any bonds issued for the stadium. MSA expects that the teams will not renew leases without improvements to the stadiums. To fund these improvements, the legislation increases the bonding authority for the Camden Yards stadiums by $965 million, for a total limit of $1.2 billion. Debt for each stadium is limited to $600 million. The revenues supporting debt service continues to be State lottery revenues. The legislation also increase the maximum annual debt service payment for both stadiums from $20 million to $90 million.

Creation of the Sports Entertainment Facilities Financing Fund

If proposed, the legislation could add sports entertainment facility to the list of facilities for which MSA can issue debt. A sports entertainment facility is a structure or other improvements in the State at which minor league games or other sporting events are held. The stadiums at Camden Yards are excluded from the definition of sports entertainment facility.

The Sports Entertainment Facilities Financing Fund is created. The fund pays expenses incurred that are related to a sports entertainment facility. This includes construction and debt service costs, as well as any necessary reserves under a trust agreement, reasonable costs related to borrowing, and reasonable costs related to MSA's administration of the fund. The fund's total debt outstanding is limited to $200 million. The legislation identifies lottery revenues as the source of the bonds and limits annual appropriations from lottery payments to $25 million.

All bond issuances must be approved by BPW. Prior to any issuance, MSA must have a written agreement with the county in which a proposed facility is located. The county must agree to either own or contract to market, promote, and operate the proposed facility. MSA must also describe, and BPW must approve, the source of funding for debt service and the order in which funds will be spent.

MSA's Debt Has Grown Substantially by Authorizing Non-State Debt

If the stadium construction legislation is enacted with the debt limits proposed, MSA's total authorizations will be $5.3 billion. By contrast, the State general obligation bond program's net debt outstanding at the end of fiscal 2021 totaled $10 billion and the MDOT net debt outstanding for its transportation bonds totaled $3.7 billion.

Prior to 2010, MSA bonds supported by lottery revenues were classified as State debt. Bond Counsel advised in 2010 that this debt can be structured so that it is not State debt if the Comptroller's Office deposits the lottery funds with a trustee for the bondholders. Subsequent bond sales were structured as non-State sales. However, the interpretation that this is not State debt is not universally accepted. For example, Moody's considers bonds supported by lottery revenues to be State debt. Often, lottery revenues support activities that are commonly supported by the General Fund and states offer lotteries so that general fund revenues can be kept lower. In Maryland, lottery revenues are deposited into the General Fund. Lottery revenues can look a lot like general fund revenues, so it is common for bonds supported by lottery revenues to be included in State debt.

Since the change in interpretation, the State has added $3.7 billion in non-State debt, of which $1.5 billion is supported by lottery revenues. The legislation could increase the debt supported by lottery revenues by between $965 million and $1.2 billion, depending on the revenue sources for the Sports Entertainment Facilities Financing Fund. Rating agencies may notice that the State has a substantial amount of new non-State debt supported by lottery revenues, which, though not strictly State revenues, shares enough similarities with State revenues that it is often considered a state revenue source. It would be prudent for the State to reevaluate how it scores stadium debt supported by lottery revenues.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Appendix 1
2021 *Joint Chairmen's Report* Responses from Agency

The 2021 *Joint Chairmen's Report* (JCR) requested that MSA prepare one report. Electronic copies of the full JCR responses can be found on the DLS Library website.

- ***Hagerstown Multi-Use Sports and Event Facility:*** The stadium authority was asked to report to the committees on the status of the Hagerstown Multi-Use Sports and Events Facility. The report was submitted on December 1, 2021, and is discussed in the Key Observations section.

Appendix 2
Audit Findings

Audit Period for Last Audit:	July 1, 2016 – September 30,2020
Issue Date:	June 2021
Number of Findings:	None
Number of Repeat Findings:	None
% of Repeat Findings:	N/A
Rating: (if applicable)	N/A

The audit did not disclose any findings.

Appendix 3
Object/Fund Difference Report
Maryland Stadium Authority

Object/Fund	FY 21 Actual	FY 22 Working Appropriation	FY 23 Allowance	FY 22 - FY 23 Amount Change	Percent Change
Positions					
01 Regular	123.80	123.80	123.80	0.00	0%
02 Contractual	17.35	15.40	15.00	-0.40	-2.6%
Total Positions	**141.15**	**139.20**	**138.80**	**-0.40**	**-0.3%**
Objects					
01 Salaries and Wages	$ 15,613,521	$ 15,764,872	$ 15,620,060	-$ 144,812	-0.9%
02 Technical and Special Fees	412,763	612,814	627,080	14,266	2.3%
03 Communication	290,643	127,468	145,152	17,684	13.9%
04 Travel	25,246	109,412	120,587	11,175	10.2%
06 Fuel and Utilities	5,014,894	5,551,208	5,209,714	-341,494	-6.2%
07 Motor Vehicles	44,896	49,300	55,100	5,800	11.8%
08 Contractual Services	107,127,835	207,376,704	724,674,247	517,297,543	249.4%
09 Supplies and Materials	790,023	1,069,273	1,347,048	277,775	26.0%
11 Equipment – Additional	104,092	6,000	881,545	875,545	14592.4%
12 Grants, Subsidies, and Contributions	39,670,673	59,707,276	58,436,579	-1,270,697	-2.1%
13 Fixed Charges	64,444,302	66,153,482	139,882,662	73,729,180	111.5%
14 Land and Structures	0	6,750,000	1,723,243	-5,026,757	-74.5%
Total Objects	**$ 233,538,888**	**$ 363,277,809**	**$ 948,723,017**	**$ 585,445,208**	**161.2%**
Funds					
01 General Fund	$ 19,097,839	$ 14,404,451	$ 16,464,433	$ 2,059,982	14.3%
03 Special Fund	35,207,978	53,233,033	113,137,225	59,904,192	112.5%
07 Nonbudgeted Fund	175,329,004	281,308,190	804,278,790	522,970,600	185.9%
09 Reimbursable Fund	3,904,067	14,332,135	14,842,569	510,434	3.6%
Total Funds	**$ 233,538,888**	**$ 363,277,809**	**$ 948,723,017**	**$ 585,445,208**	**161.2%**

Note: The fiscal 2022 working appropriation does not include deficiency appropriations. The fiscal 2022 working appropriation and fiscal 2023 allow do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which include cost-of-living adjustments, increments, bonuses, and may include annual salary review adjustments.