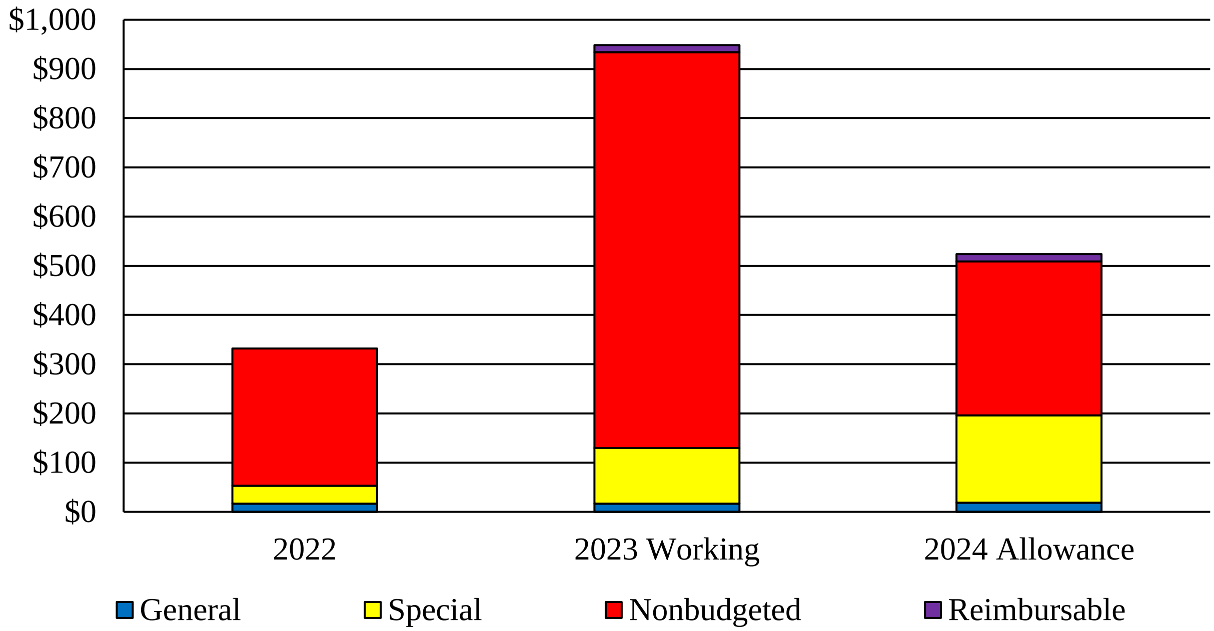
D28A03
Maryland Stadium Authority

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 administering and financing a Sports Entertainment Facilities Financing Fund, the construction and financing for the Baltimore City Convention Center 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 also conducts feasibility studies and manages construction projects for local governments and State agencies.

Operating Budget Summary

Fiscal 2024 Budget Decreases $417.2 Million, or 43.2%, to $547.5 Million
($ in Millions)



Note: The fiscal 2023 working appropriation includes deficiency appropriations.

For further information contact: Patrick S. Frank Patrick.Frank@mlis.state.md.us

Fiscal 2023

Proposed Deficiency

The fiscal 2024 Budget Bill includes three deficiency appropriations for fiscal 2023, specifically:

- $10 million in special funds for the Major Sports and Entertainment Event Program Fund, as required by Chapter 61 of 2022. This is discussed in more detail in the Updates section of this analysis;

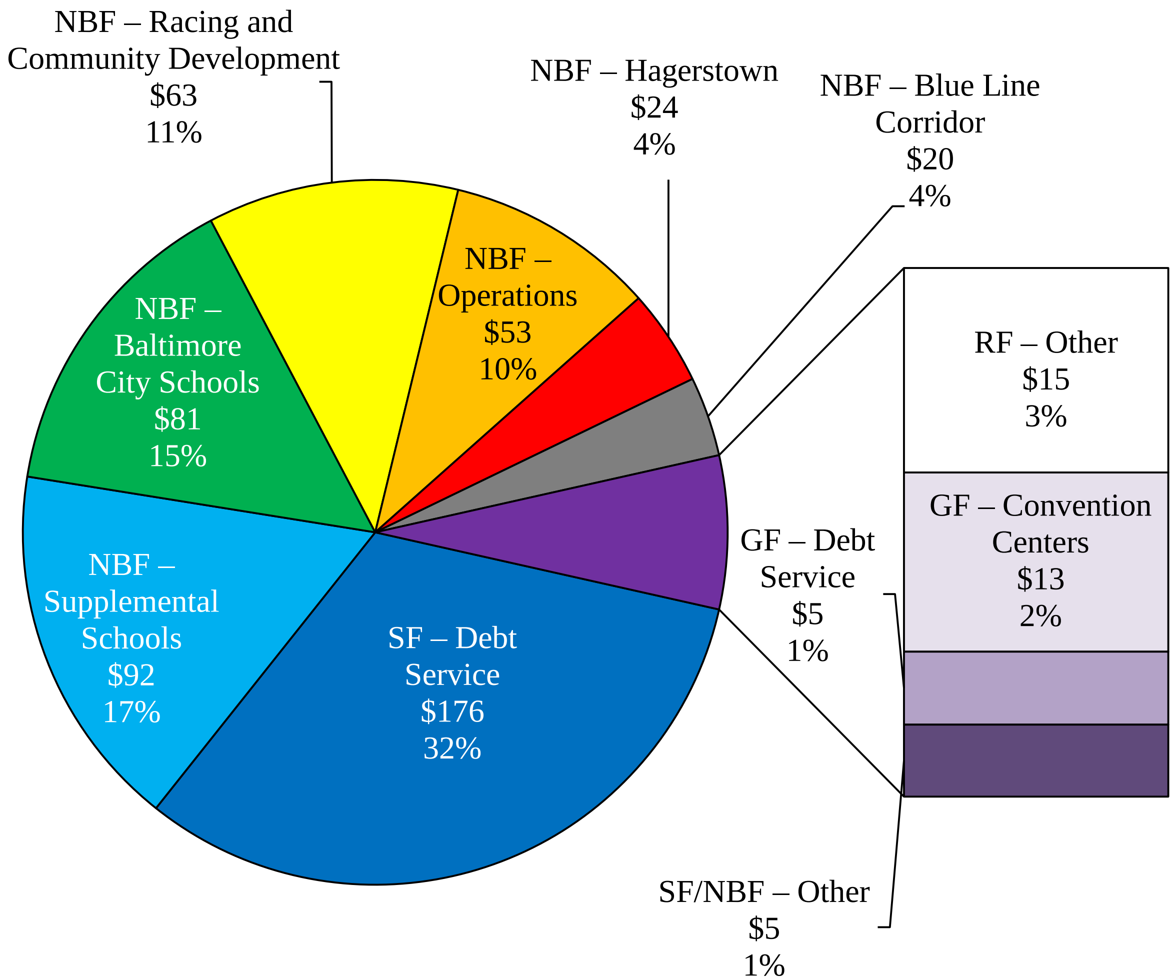
- $5,314,888 in general funds for the Baltimore City Convention Center's operating deficit. This represents the State's share, which is two-thirds of the deficit, with the remaining one-third funded by Baltimore City; and

- $641,951 in special funds for the Michael Erin Busch Fund, which provides grants to youth and amateur sports programs across the State. This brings the appropriation in line with expected revenues.

Fiscal 2024 Overview of Agency Spending

Exhibit 1 shows how MSA anticipates spending $524 million in fiscal 2024.

Exhibit 1
Overview of Maryland Stadium Authority Spending
Fiscal 2024 Allowance
($ in Millions)



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

Source: Department of Budget and Management

Exhibit 2 shows how spending by program and fund type changes between the fiscal 2023 working appropriation and the fiscal 2024 allowance.

Exhibit 2
Maryland Stadium Authority Budget Summary by Fund
Fiscal 2022-2024
($ in Thousands)

	Actual 2022	Working Approp. 2023	Allowance 2024	Change 2023-2024
General Funds				
Baltimore City Convention Center – State Operating Deficit Contribution	$10,862	$11,967	$9,163	-$2,803
Ocean City Convention Center – State Operating Deficit Contribution	2,088	3,508	3,872	364
Montgomery County Conference Center – State Portion of Construction Costs	1,556	1,555	1,559	5
Hippodrome Performing Arts Center – State Portion of Construction Costs	1,383	0	0	0
Hagerstown Multi-Use Facility Fund	0	3,750	3,750	0
Office of Sports Marketing	500	1,000	0	-1,000
Subtotal	***$16,390***	***$21,779***	***$18,344***	***-$3,435***
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	$15,233	$14,637	$14,152	-$486
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	60,000	125,000	65,000
Michael Erin Busch Fund	0	2,142	1,500	-642
Major Sports and Entertainment Event Program Fund	0	10,000	3,500	-6,500
Office of Sports Marketing	1,157	0	0	0
Subtotal	***$36,390***	***$123,779***	***$181,152***	***$57,373***

	Actual 2022	Working Approp. 2023	Allowance 2024	Change 2023-2024
Nonbudgeted Funds: Maryland Stadium Authority Funds and Grant from Baltimore City				
General Administration	$76,035	$4,523	$5,704	$1,180
Camden Yards' – Debt Service and Other Costs Not Funded by Lottery Revenues	8,208	6,029	12,592	6,564
Camden Yards Complex Facilities Management	31,956	36,888	33,702	-3,185
Facilities Management for Oriole Park Improvements Per Orioles' Lease	0	200	200	0
Office of Sports Marketing	595	589	644	55
Subtotal	***$116,794***	***$48,228***	***$52,842***	***$4,614***
Nonbudgeted Funds: Non-State Facilities				
Ocean City Convention Center	$0	$1,723	$0	-$1,723
Hippodrome Performing Arts Center Ticket Surcharge	434	250	250	0
Project C.O.R.E.	7,003	0	0	0
Racing and Community Development Facilities Fund	280	175,000	63,000	-112,000
Hagerstown Multi-Use Facility Fund	10,986	34,600	24,080	-10,520
Prince George's Blue Line Corridor Facility Fund	0	0	20,000	20,000
Subtotal	***$18,703***	***$211,573***	***$107,330***	***-$104,243***
Nonbudgeted Funds: School Financing and Construction				
Baltimore City School Financing Fund	$39,998	$51,451	$40,000	-$11,451
Baltimore City School Facilities Fund	103,434	173,026	40,742	-132,284
Supplemental Public School Construction Financing Fund (Built to Learn)	440	320,000	92,232	-227,768
Subtotal	***$143,872***	***$544,477***	***$172,974***	***-$371,503***
Reimbursable Funds				
General Administration	$0	$4,843	$4,887	$44
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	***$0***	***$14,843***	***$14,887***	***$44***
Total	**$332,148**	**$964,680**	**$547,529**	**-$417,151**

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

Note: The fiscal 2023 working appropriation includes deficiency appropriations. Numbers may not sum to total due to rounding.

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 operating costs for various economic development projects undertaken by the State.

- ***Baltimore City Convention Center:*** Section 10-640 of the Economic Development Article requires MSA to contribute two-thirds of the annual operating deficit of the Baltimore City Convention Center through December 31, 2029. MSA is also required to contribute $200,000 into the capital improvement fund. The fiscal 2024 allowance includes $8.96 million for the operating deficit and $200,000 for the capital improvement fund. This subsidy had been fairly steady in recent years but has been larger since 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 $100,000 into a capital improvement reserve fund. The fiscal 2024 allowance provides $2.22 million for these purposes. Bonds with a par value of $20.9 million were issued in November 2019, to fund improvements to the facility. The first four debt service payments will be made by the capitalized interest fund. State payments began in fiscal 2022. The fiscal 2024 debt service payment is $1.66 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 2024 allowance provides $1.56 million in general funds for the debt service costs for the authority's revenue bonds. This is the last debt service payment.

- ***Hagerstown Multi-Use Facility:*** The first debt service appropriation is the statutorily required amount, $3.75 million, made in fiscal 2023. The final debt service payment is in fiscal 2052.

- ***Office of Sports Marketing:*** General fund appropriations for the office is $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 2024 allowance includes $14.15 million in special funds for this purpose.

Also included in the fiscal 2024 allowance is an additional $20 million in lottery proceeds to support MSA activities related to the Baltimore City school construction program. Chapter 647 of 2013 authorized up to $1.1 billion in bonds for this project. MSA's final issuance was in 2022. The final debt service payment will be in fiscal 2055.

The Michael Erin Busch Fund's fiscal 2024 special fund appropriation totals $1.5 million. The source of the funds is lottery revenues, admissions and amusement tax revenues, and a share of proceeds conducted by a charitable foundation affiliated with the Washington Commanders. The fund supports the Office of Sports Marketing's Michael Erin Busch Fund that gives grants for youth and amateur sports.

Other programs receiving special funds are the (1) Racing and Community Development Financing Fund, which is discussed further under the Key Observations section of this analysis; (2) Supplemental Public School Construction Financing Fund, which is discussed further under the Key Observations section of this analysis; and (3) Major Sports and Entertainment Event Program Fund, which is discussed further in the Updates section of this analysis.

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 2022 to 2024. The most recent rent payment was $1 million in fiscal 2015.

MSA's revenues also support the Office of Sports Marketing, which promotes amateur and professional sports competitions in Maryland.

Nonbudgeted Funds: Non-State Facilities

MSA is supporting the financing and construction of non-State (1) horse racing facilities (Pimlico and Laurel Park), which are discussed further under the Key Observations section of this analysis; (2) a minor league baseball (MiLB) stadium in Hagerstown, which is discussed further under the Key Observations section of this analysis; and (3) Prince George's County Blue Line Corridor Project, which is discussed further in the Updates section of this analysis.

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.

With Project C.O.R.E. (Creating Opportunities for Renewal and Enterprise), 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 2022, $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. The decline in Baltimore City public school construction is attributable to the program winding down as most schools have been completed. Lower anticipated funding for the supplemental school program is due to bond issuances and cash flow needs, which may have been overstated in fiscal 2023.

Reimbursable Funds

Approximately $4.89 million is provided for positions supporting school construction. The source of these funds is bond proceeds. Project C.O.R.E anticipates receiving $10 million from DHCD.

Key Observations

1. Pimlico and Laurel Park Renovations Are Progressing Slower Than Anticipated and Scope and Costs Have Increased

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. The bonds support improvements to both facilities, including the clubhouse, racetracks, stables and barns, and associated roods and walkways. The Pimlico site will be conveyed to Baltimore City, the Baltimore Development Corporation, or a designated entity.

Chapter 590 requires that a minimum of $180 million support Pimlico and $155 million support Laurel Park. BPW approval is required prior to any bond issuance, and MSA must provide the fiscal committees financing plans 45 days prior to BPW approval.

The Racing and Community Development Financing Fund is established as 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 fund will issue 30-year bonds. Beginning in fiscal 2022, the chapter 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.

Racing Facilities Construction Has Been Delayed and Costs Are Increasing

A schedule provided to the Department of Legislative Services (DLS) in December 2019 projected Laurel Park construction would be done first, after which Pimlico would be renovated. The plan expected Laurel Park's construction to be completed in 2022 so that racing at Laurel Park could begin in February 2022. As of January 2023, construction had not yet begun at Laurel Park. DLS observes that MSA's work has been on time with other new authorizations. The delays seem to be attributable to changes in scope which modified plans. Chapter 61 requires MSA to report to the fiscal committees on the project schedule and costs in two reports. The first was submitted in September 2022. MSA submitted its final report on January 1, 2023. Key findings include:

- for the Pimlico project, one of eight agreements and none of the property conveyances have been completed, while no agreements have been reached for the Laurel Park project. MSA advises that completing "these agreements should be prioritized, since the inability to satisfy these prerequisites will prevent the project from moving forward";

- programmatic needs identified for Pimlico by the Maryland Jockey Club (MJC) and Maryland Thoroughbred Horsemen's Association (MHTA) increase the proposed scope of the project, compared to what was identified in the 2020 legislation authorizing bonds supported by lottery revenues. The larger scope, which adds to project's costs, includes:

- increasing the track from 7/8 mile to one mile;
- increasing the clubhouse's gross square footage; and
- building a canopy system adjacent to the new clubhouse to accommodate MJC's Preakness overlay desires. This request has been modified since the September report, which proposed an elevated superdeck structure in the infield to accommodate the Preakness. The change moderates increased costs.

- as with Pimlico, the scope proposed by MJC and MHTA for the Laurel Park project has also increased, driving up costs. This larger scope has not been modified since the September report by MJC or MHTA. Changes include:
  - a complete replacement and reconfiguration of the tracks, including the subbase materials. This addresses safety issues, and MSA concurs that a complete replacement of the tracks is required;
  - adding a fourth synthetic training surface;
  - a backstretch expansion beyond Laurel Park's existing footprint to increase population and programming demand;
  - addition of a tunnel or bridge to connect Brock Bridge Road parcel to Laurel Park;
  - the facilities condition assessment determined that renovating, repurposing, or reusing any existing backstretch facilities is not viable;
  - increased square footage of the clubhouse facility; and
  - relocation of the clubhouse facility to the opposite side of the track.
- in response to a requirement to discuss programming changes and potential cost savings, MSA responded that it expects costs to increase due to the changes previously noted when compared to prior estimates. In the January report, MSA estimates current resource deficiencies range between $160 million and $350 million; and
- interest rates have increased substantially, and the proceeds available for construction will decline as a result. MSA advises that costs will continue to increase as a due to "prolonged agreement negotiations and the protracted confirmation process." **Exhibit 3** shows how increasing interest rates have eroded anticipated proceeds and reduced available funds.

Exhibit 3
Effect of Interest Rates on Par Value of Bonds
December 2019 to December 2022
($ in Thousands)

Date of Estimate	True Interest Cost	Annual Debt Service	Estimated Bond Proceeds	Available Cash	Bond Proceeds and Available Cash
December 13, 2019	2.24%	$17,000	$369,386	$53,978	$423,364
February 24, 2021	2.95%	17,000	328,386	53,978	382,364
February 11, 2022	2.90%	17,000	360,316	53,978	414,295
June 23, 2022	4.18%	17,000	282,981	53,978	336,960
September 19, 2022	4.32%	17,000	282,640	53,978	336,618
October 31, 2022	4.67%	17,000	271,303	53,978	325,282
December 12, 2022	4.20%	17,000	286,260	53,978	340,239
Example of Effect of Increased Rates	5.00%	17,000	260,930	53,978	314,909
Example of Effect of Increased Rates	5.50%	17,000	246,671	53,978	300,649
Example of Effect of Increased Rates	6.00%	17,000	233,584	53,978	287,562

Note: Numbers may not sum to total due to rounding.

Source: *Maryland Stadium Authority Report on Pimlico and Laurel Park Racing Facilities Redevelopment as Required by HB 897/Ch. 61, Sec. 3 (a), 2022 MSAR #14166*, September 30, 2022

MSA Should Be in the Best Bargaining Position and Contain Escalating Costs Attributable to Delays

The project is now about three years behind schedule. This has led to higher costs that are attributable to reduced bond proceeds, construction cost inflation, and new requirements proposed after the legislation was enacted. MSA advises that, at a minimum, costs will be 40% more than the resources provided in the 2020 legislation.

The expectation seems to be that these additional costs are borne by the State. If the State provides additional lottery revenues for this project, revenues available for State programs are reduced. Moving forward, MSA should contain costs so that the impact on other spending priorities is minimized. To do this, MSA should be in the best bargaining position possible. MSA has expressed concerns that beginning design prior to finalizing all agreements weakens the State's bargaining position. It is also critical to complete the agreements so that design and construction can begin. DLS is concerned that further delays will increase costs to the State and could further diminish bond proceeds. **To encourage the parties to reach agreements, DLS recommends that the budget committees add language making the fiscal 2024 appropriation contingent on having all eight Pimlico agreements mentioned in the January 2023 report and any necessary agreements for Laurel Park completed by September 30, 2023.**

2. Built to Learn School Status Report – Size of Construction Program Dependent on Interest Rates

Chapter 20 of 2020 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 Education Trust Fund (ETF). Prior to the issuance of any Built to Learn (BTL) bonds, MSA and the Interagency Commission on School Construction (IAC) must enter into a program memorandum of understanding (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 in July 2021. Additionally, Chapter 20 requires an MOU between MSA, local boards of education, and local governments for proposed projects before any BTL 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. 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.

To support BTL, MSA is issuing 30-year bonds. Bonds were issued in calendar 2021 and 2022. **Exhibit 4** shows that the average debt service costs for the first two sales is $37 million, leaving another $63 million in debt service capacity. Proceeds provided $699 million for the project fund. An idiosyncrasy of the program is balloon payments at the end of each issuance after the first issuance. As a payment is no longer due, the next sale can increase its debt service correspondingly.

Exhibit 4
What Is Already in the Bank: Results from the First Two Bond Sales
October 2021 and February 2022
($ in Millions)

	Series 2021	Series 2022	Total
Fiscal Year That Issuance Matures	2051	2052	
Par Value	$257.0	$373.1	$630.0
Premium Net of Issuance and Capitalized Interest Costs	28.9	40.4	69.3
Total Available for Project Fund	**$285.9**	**$413.5**	**$699.3**
Average Annual Debt Service Year 3 to 29[1]	$14.8	$21.7	$36.4
Final Annual Debt Service Payment[2]	14.8	36.5	
True Interest Cost	2.83%	3.21%	
Bond Buyer 20-Bond Index in Week of Sale	2.28%	3.19%	

[1] Since the fund earns interest, actual debt service could exceed the $100 million appropriation in some fiscal years.
[2] Bonds mature in 30 years. When an issuance matures and no long pays debt service, the subsequent issuance has a balloon payment in its final year.

Note: Numbers may not sum to total due to rounding.

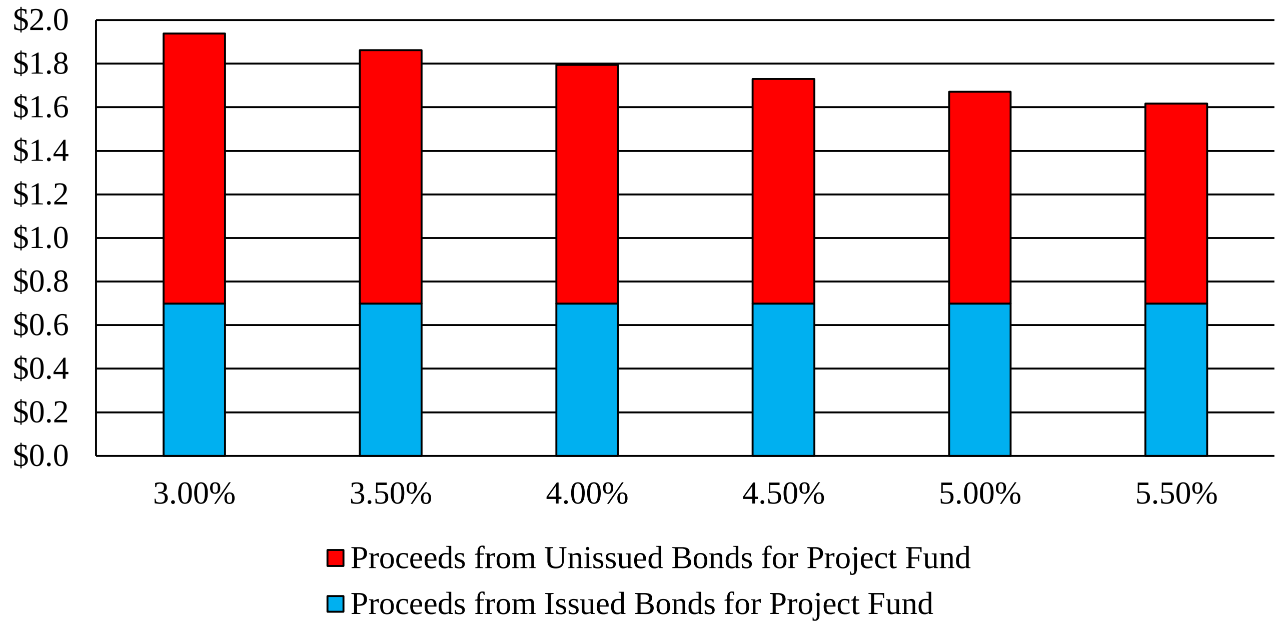
Source: BofA Securities

In its December 2022 *Built to Learn Program and Allocations* report, IAC is planning for $1.7 billion in bond proceeds to support school construction projects for Baltimore City and all counties except Prince George's County. The law also authorizes $25 million annually for a P3 agreement for Prince George's County beginning in fiscal 2026. Recent increases in interest rates reduce how much construction BTL can support under current laws. Since debt service is fixed at $100 million per year beginning in fiscal 2026, higher interest rates reduce bond proceeds. The most recent bond sale was in February 2022. The sale's true interest cost was 3.21% and The Bond Buyers 20-Bond Index was 3.19%. This index reflects market interest rates. It increased almost a full percent from October 2021 to February 2022. It has continued to increase so that, as of January 19, 2023, the index was 3.33%. **Exhibit 5** shows that if rates remain at current levels for the remaining sales, ETF revenues support just under $1.9 billion in projects.[1] Costs for replacing old schools or building new schools vary. Total costs range from $35 million for elementary schools to over $160 million for high schools. Some projects are additions to facilities with a total

[1] Interest rates are not the only factor that will affect how much the proceeds will generate. Other factors like the timing of bond sales, how much interest the fund generates, how bond sales are structured, refunding opportunities, and how many sales there are also affect proceeds. However, it is clear that the dominant factor is interest rates on the days that bonds are sold.

cost that is a few million dollars. The BTL share depends on the jurisdictions with some jurisdictions receiving BTL funds for almost half the costs, while others receive BTL funds for over 90% of costs. BTL has rules that determine which costs are eligible.

Exhibit 5
Effect of Increasing Interest Rates on Proceeds for BTL Bonds
Average Interest Rate of Remaining Bond Sales
($ in Billions)



Source: BofA Securities; Department of Legislative Services

3. Sports Entertainment Facilities Financing Fund Receives First Three Requests

Chapter 61 creates the Sports Entertainment Facilities Financing Fund. The fund, which is supported by lottery revenues, sells bonds to improve sports entertainment facilities. A sports entertainment facility is a structure or other improvement at which minor league games are played or other non-major league sporting events are held. It includes parking lots, garages, and other property adjacent and directly related to the facility. It does not include a (1) facility located at Camden Yards; (2) major league sports facility; or (3) high school, collegiate, or recreational venue that does not generate positive incremental tax benefits to the State.

To fund a project, MSA must secure a written agreement with the State, county, or local government in which the sports entertainment facility is located, as approved by BPW, under which the source of funding and the order in which funds will be spent is described, and the State, county, or local government agrees to (1) own, market, promote, and operate or contract for the marketing, promotion, and operation of the sports entertainment facility in a manner that maximizes the facility's economic return; (2) maintain and repair or contract for the maintenance and repair of the facility; and (3) any other terms or conditions deemed necessary or appropriate by MSA. The county or local government in which a sports entertainment facility financed by the bill is located must annually report to the fiscal committees of the General Assembly on the sports entertainment facility's assessment of the maintenance and repair needed to keep the facility in operating order.

Annual appropriations into the fund cannot exceed $25 million, and total debt outstanding cannot exceed $200 million. The ratio of total debt outstanding to annual debt service payments is low, compared to other financing funds. MSA anticipates issuing bonds with shorter maturities that will amortize more quickly, so the fund will not need as high a level of debt outstanding. The shorter amortization retires debt more quickly, allowing MSA to fund more projects in the long run. The budget does not have any appropriations for debt service costs in fiscal 2023 or 2024.

MSA's board has set up the Sports and Entertainment Facilities and Events Program Oversight Committee to implement policies and evaluate proposals. This new committee is chaired by the full board's chair, who appoints two board members to the new committee. The sports and entertainment committee makes recommendations to the full committee. The committee's priorities are to (1) fund MiLB stadiums with affiliated teams; (2) fund MiLB stadiums with nonaffiliated teams; and (3) to fund other sports entertainment facilities.

The authority has the discretion to finance particular projects or decline to finance eligible projects based on its assessment of the overall merit and its merit relative to competing alternatives. The authority has developed guidelines for evaluating projects that consider such factors as affiliation with a major league team, need in the region in which the project is located, geographic diversity, readiness to proceed, economic feasibility, local support, source and funding commitments other than MSA bonds, and economic impact. It is also MSA's policy that the maturity of the bonds not exceed the useful life of the facility. So that a team does not leave a stadium before the bonds are retired, MSA advises that it is considering requiring the team to pay liquidated damages equal to any outstanding debt if the team leaves before the bonds are retired.

In January 2023, MSA notified the budget committees of three requests. The teams' stadiums are not up to the new standards proposed by Major League Baseball for their affiliates. At this time, MSA advises that it is unclear exactly what work needs to be done, what the costs will be, or how debt will be structured. Prior to entering into these proposals, MSA must notify the Legislative Policy Committee and give them 30 days to review and comment upon the proposal. MSA advises that they will enter into a MOU with the stadium owners that will establish the amount of spending and scope of the project. The proposals are from the following teams:

- ***Maryland-National Capital Parks and Planning Commission for Improvements to the Bowie Baysox Stadium:*** The Baysox are the Baltimore Orioles AA affiliate. They have a 10-year Player Development License.

- ***City of Aberdeen for Improvements to the Aberdeen Ironbirds Stadium:*** The Ironbirds are the Baltimore Orioles Advanced A-Level affiliate.

- ***Wicomico County for Improvements to the Delmarva Shorebirds Stadium:*** The Shorebirds are the Baltimore Orioles Advanced Single A affiliate.

4. Hagerstown Multi-Use Sports and Events Facility Funds Insufficient to Build at the Scope Proposed in the Legislation: Downsize or More Funds?

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 beginning in fiscal 2023 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.

In March 2022, $57.6 million in bonds were issued to support the facility. The sale realized $12.1 million in bond sale premiums and $69.2 million was deposited into the project fund after deducting bond sale delivery date expenses. In addition to the bond sale, the project has received $10.5 million in various funds from the State, bringing total project funds to $79.7 million.

In December 2022, MSA advised DLS that based on current estimates, the scope of the facility will need to be reduced or funding will need to be increased. To maintain the current scope, MSA advises that an additional $17 million is needed. Primary reasons for the additional need are higher than anticipated interest rates, higher than anticipated acquisition costs, and inflation. DLS notes that $69.6 million received in bond proceeds is $5.2 million less than the October 2021 estimate. Additionally, acquisition costs for one of the parcels totaled $6.25 million, which includes $2.75 million for relocation costs and reflects a 79% increase over the appraised value.

As discussed in the previous key observation, legislation created the Sports and Entertainment Facilities Financing Fund in 2022. One purpose of the fund is to support construction and renovation of minor league stadiums. In discussions with an assistant Attorney General and MSA, DLS was advised that the ownership structure of the Hagerstown Multi-Use Sports and Events Facility is incompatible with the legislation, so using that fund may require legislation.

MSA should be prepared to brief the committees on the status of the Hagerstown Multi-Use Sports and Events Facility, including the costs, the schedule, and solutions available to address insufficient costs to build the facility at the scope proposed when the legislation was enacted.

Operating Budget Recommended Actions

1. Add the following language to the special fund appropriation:

    , provided that $17,000,000 of this appropriation made for the purpose of appropriations to the Racing and Community Development Financing Fund is contingent on the Maryland Stadium Authority (MSA) entering into (1) eight memoranda of understanding (MOU) regarding the Pimlico racing facility site, as defined in Section 10-601 of the Economic Development Act and (2) all MOUs for the Laurel Park site that are deemed necessary by MSA to begin design, by September 30, 2023. The eight Pimlico MOUs are those identified in the MSA Report on the Pimlico and Laurel Park Facilities Redevelopment as required by HB 897 submitted to the Senate Budget and Taxation Committee, the House Appropriations Committee, and the House Ways and Means Committee on January 1, 2023. Further provided that MSA will report to the budget committees on the status of the Pimlico MOUs by October 27, 2023. This report should include an updated schedule that outlines key planning, construction, and financing milestones for Pimlico and Laurel Park.

    Explanation: Chapter 590 of 2020 created the Racing and Community Development Financing Fund to support improvements to the Pimlico and Laurel Park. When the legislation was enacted, Laurel Park was expected to be completed in 2022 so that racing could begin in February 2023. The project is three years behind schedule as no agreements have been signed and no design or construction has begun. MSA, in its January 1, 2023 report, noted that only one of the eight MOUs for Pimlico has been completed. The fund's debt service payments are supported by $17 million annually in lottery revenues. Increased interest rates since 2020 have reduced the proceeds expected from these bonds. Construction inflation and increasing the scope beyond what was authorized in 2020 have increased costs. MSA estimates that available funds to renovate the facilities, as proposed by the expanded scope, are $160 million to $350 million less than available resources. The expectation is that the State will have to fund this, leaving less resources for other priorities. Further delays could further erode the value of the bonds and add to costs through increased inflation and an expanded scope. This contingent language that requires MSA to enter into MOUs by September 30, 2023, and is intended to encourage the parties to enter into MOUs and keep State costs down. The language also requires a report by MSA on or before October 27, 2023.

Information Request	**Author**	**Due Date**
Update on MOUs and plan for Pimlico and Laurel Park Renovation	MSA	October 27, 2023

Updates

- ***Summary of MSA Authorizations:*** MSA administers various debt programs. **Exhibit 6** lists MSA's current tax-supported authorized debt, debt outstanding, and annual debt service. MSA also issues debt that the State does not consider to be tax-supported. DLS notes that Moody's considers lottery debt to be tax-supported.

Exhibit 6
MSA Revenue Debt Authorizations, Debt Outstanding, and Debt Service
($ in Thousands)

Project	Revenues Supporting Debt	Authorized	Outstanding on June 30, 2023	Debt Service Fiscal 2023
State Debt				
Hagerstown Multi-Use Sports and Events Facility	General Fund	$59,500	$57,215	$3,749
Baltimore City Convention Center	General Fund	55,000	0	0
Ocean City Convention Center	General Fund	24,500	20,160	1,654
Montgomery County Conference Center	General Fund	23,185	1,485	1,555
Baseball and Football Stadiums and Camden Station[1]	Lottery and MSA	n/a	18,790	7,701
Subtotal		***$162,185***	***$108,471***	***$14,660***
Non-State Debt				
Built to Learn	ETF	$2,200,000	$622,595	$33,525
Baseball and Football Stadiums and Camden Station[1]		1,200,000	47,480	6,936
Baltimore City Public Schools	Lottery, Baltimore City, State grants to Baltimore City	1,100,000	1,026,575	59,996

Project	Revenues Supporting Debt	Authorized	Outstanding on June 30, 2023	Debt Service Fiscal 2023
Blue Line Corridor Projects	Lottery	400,000	0	0
Horse Racing Facilities	Lottery	375,000	0	0
Non-State Debt				
Sports Entertainment Facilities Financing Fund	Lottery	$200,000	$0	$0
Supplemental Facilities Fund	MSA	25,000	0	0
Subtotal		***$5,500,000***	***$1,696,650***	***$100,457***
Total		**$5,662,185**	**$1,794,300**	**$115,116**

ETF: Education Trust Fund
MSA: Maryland Stadium Authority

[1] Authorization limit for Camden Complex includes the stadiums and Camden Station. The authorization does not specify between State and non-State debt. Chapter 60 of 2022 increased the limit from $235 million to $1,200 million.

Note: Numbers may not sum to total due to rounding.

Source: Maryland Stadium Authority

- ***Chapter 61 Creates the Major Sports and Entertainment Event Program Fund:*** The fund supports major entertainment events, which is an event that expects an attendance of at least 20,000 people, has a negotiated broadcast deal with live or delayed broadcasting, commercial sponsorship opportunities, or a demonstrated positive economic impact for the State. This can include parades, fairs, concerts, the Super Bowl, and Major League Baseball's All-Star Game. The purpose of the fund is to attract major sporting and entertainment events, generate positive media coverage, and generate a positive economic impact for the State. The Governor is required to appropriate $10 million into the fund in fiscal 2023. When funds are spent, the Governor is required to replenish the fund so that the balance is $10 million in the following fiscal year.

- ***Chapter 61 Authorizes Bonds for the Prince George's County Blue Line Corridor (BLC) Facility Fund:*** The legislation created the fund, which is supported by lottery revenues. A BLC facility is a structure located within BLC that is (1) a convention center; (2) an arts and entertainment amphitheater; or (3) any other functionally related structures, improvements, infrastructure, furnishings, or equipment of the facility, including parking garages. To finance site acquisition, planning, design, and construction of a BLC facility, MSA must notify the fiscal committees of the General Assembly and provide them with a comprehensive financing plan, as specified, and obtain the approval of BPW of the proposed bond issue, the financing plan, and the required agreement with Prince George's County. MSA must also secure a written agreement with Prince George's County identifying the roles and responsibilities of each party with respect to the BLC facility. Annual appropriations into the fund cannot exceed $27 million, and total debt outstanding cannot exceed $400 million. No bonds were issued before January 1, 2023. However, MSA anticipates spending $20 million in fiscal 2024, suggesting an issuance in the last half of fiscal 2024.

- ***Chapter 60 of 2022 Increases Authorizations for Oriole Park and Ravens Stadium:*** Prior to 2022, debt outstanding was limited to $235 million. When the legislation was enacted, the Orioles' lease extension expired in 2023, and the Ravens' lease expired after the 2027 National Football League (NFL) season. To be able to offer stadium improvements if leases are extended, the limit was increased to $1.2 billion, $600 million for each team. By law, debt service payments cannot extend beyond the expiration period of any lease. To sell the customary 30-year bonds, leases will need to be extended for 30 years.

- ***Baltimore Ravens Renew Lease with the State:*** On January 4, 2023, BPW approved a new lease between the State and the Ravens. The new lease terminated and replaced the existing lease. Here are details about the new lease:

  - The lease is 15 years, with two 5-year renewal options that can only be exercised by the Ravens, which means that MSA will not be issuing the 30-year bonds but will be issuing bonds with shorter maturities.

  - The new lease extends the lease period through the 2037 NFL season.

  - There are not changes to rent and operations and maintenance (O&M), as the Ravens do not pay rent but are responsible for O&M.

  - There is a 10% admissions and amusement tax, of which MSA receives 80% and Baltimore City receives 20%. Any increase in the rate is credited to the Ravens' O&M payments.

  - The Ravens may not relocate and must play all home games, with limited exceptions, at the stadium.

  - MSA bonds cannot mature after the lease expires.

Appendix 1
2022 *Joint Chairmen's Report* Responses from Agency

The 2022 *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.

- ***Charles County Multicultural and Recreational Amphitheatre Facilities:*** The narrative required that MSA prepare a market and economic feasibility study for a Charles County Multicultural and Recreational Amphitheatre by June 30, 2022. These studies usually take a year, so MSA asked for an extension. The budget committees extended the due date to June 30, 2023, and requested that MSA provide an update on the costs of the study when MSA reaches agreement with the county on the MOU.

Appendix #
Object/Fund Difference Report
Maryland Stadium Authority

Object/Fund	FY 22 Actual	FY 23 Working Appropriation	FY 24 Allowance	FY 23 - FY 24 Amount Change	Percent Change
Positions					
01 Regular	123.80	125.80	127.80	2.00	1.6%
02 Contractual	15.40	15.00	15.00	0.00	0%
Total Positions	**139.20**	**140.80**	**142.80**	**2.00**	**1.4%**
Objects					
01 Salaries and Wages	$ 16,007,875	$ 15,620,060	$ 16,890,241	$ 1,270,181	8.1%
02 Technical and Special Fees	456,607	627,080	522,903	-104,177	-16.6%
03 Communication	160,924	145,152	114,330	-30,822	-21.2%
04 Travel	80,214	120,587	158,206	37,619	31.2%
06 Fuel and Utilities	6,705,448	5,209,714	5,573,727	364,013	7.0%
07 Motor Vehicles	125,263	55,100	71,300	16,200	29.4%
08 Contractual Services	193,106,306	724,674,247	259,869,231	-464,805,016	-64.1%
09 Supplies and Materials	816,693	1,347,048	805,794	-541,254	-40.2%
10 Equipment – Replacement	472,004	0	0	0	0.0%
11 Equipment – Additional	37,728	881,545	2,760	-878,785	-99.7%
12 Grants, Subsidies, and Contributions	49,142,182	58,436,579	47,155,385	-11,281,194	-19.3%
13 Fixed Charges	65,036,994	139,882,662	192,865,179	52,982,517	37.9%
14 Land and Structures	0	1,723,243	0	-1,723,243	-100.0%
Total Objects	**$ 332,148,238**	**$ 948,723,017**	**$ 524,029,056**	**-$ 424,693,961**	**-44.8%**
Funds					
01 General Fund	$ 16,389,524	$ 16,464,433	$ 18,344,030	$ 1,879,597	11.4%
03 Special Fund	36,389,893	113,137,225	177,651,701	64,514,476	57.0%
07 Nonbudgeted Fund	279,368,821	804,278,790	313,146,824	-491,131,966	-61.1%
09 Reimbursable Fund	0	14,842,569	14,886,501	43,932	0.3%
Total Funds	**$ 332,148,238**	**$ 948,723,017**	**$ 524,029,056**	**-$ 424,693,961**	**-44.8%**

Note: The fiscal 2023 appropriation does not include deficiencies.