

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 Enrolled - Revised

Senate Bill 926

(Senators Corderman and Edwards)

Budget and Taxation

Appropriations

Economic Development – Maryland Stadium Authority – Hagerstown Multi-Use Sports and Events Facility

This bill authorizes the Maryland Stadium Authority (MSA) to issue up to \$59.5 million in bonds for the purpose of financing acquisition, construction, renovation, and related expenses in connection with the Hagerstown Multi-Use Sports and Events Facility, subject to specified requirements. The bill establishes the Hagerstown Multi-Use Sports and Events Facility Fund to implement the bill and pay for related expenses incurred by MSA. Beginning in fiscal 2023, until the bonds that have been issued to finance the facility are no longer outstanding and unpaid, the Governor must include a \$3.75 million appropriation to the facility fund in the annual budget bill. The bill also exempts construction material purchased for the project from the sales and use tax, subject to specified requirements.

Fiscal Summary

**State Effect:** Nonbudgeted revenues increase by approximately \$10.0 million in FY 2022 and \$55.0 million in FY 2023 from bonds issued by MSA; nonbudgeted expenditures increase in total by that amount from FY 2022 through 2025. General fund expenditures increase by \$3.75 million annually from FY 2023 through 2052 to provide funding for debt service; nonbudgeted revenues and expenditures increase correspondingly. General fund revenues decrease in total by \$2.77 million as shown below due to the sales and use tax exemption. **The bill establishes a mandated appropriation beginning in FY 2023.**

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	\$0	(\$0.30)	(\$1.66)	(\$0.81)	\$0
NonBud Rev.	\$10.00	\$58.75	\$3.75	\$3.75	\$3.75
GF Expenditure	\$0	\$3.75	\$3.75	\$3.75	\$3.75
NonBud Exp.	\$0.50	\$18.75	\$38.75	\$18.25	\$3.75
Net Effect	\$9.50	\$35.95	(\$40.41)	(\$19.06)	(\$3.75)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

**Local Effect:** Meaningful, as discussed below.

**Small Business Effect:** Meaningful.

## Analysis

### Bill Summary:

#### *Facility Financing and Operation*

“Hagerstown Multi-Use Sports and Events Facility” means the sports and events facility located in Hagerstown, Maryland, used for minor league baseball games, other events, and related activities. It includes fields and field houses, offices, parking lots and garages, access roads, food service facilities, and other functionally related structures, improvements, furnishings, or equipment.

Generally, to finance site acquisition, design, and construction of any segment of the facility, MSA must notify the fiscal committees of the General Assembly, as specified; obtain the approval of Board of Public Works (BPW) of the proposed bond issue and the financing plan; and secure a written agreement to transfer ownership of the facility from MSA to the Hagerstown-Washington County Industrial Foundation, as approved by BPW:

- in which the foundation agrees to (1) own, market, promote, and operate or contract for the marketing, promotion, and operation of the facility in a manner that maximizes the facility’s economic return and (2) maintain and repair or contract for the maintenance and repair of the facility; and
- that includes provisions (1) protecting the investments of MSA and the foundation in the facility; (2) requiring the foundation to contribute to a capital improvement reserve fund an amount sufficient to keep the facility in first-class operating condition; (3) requiring the foundation to be solely responsible for all expenditures relating to the operation of the facility that may be incurred, including maintenance, repair, and operating deficits; and (4) allowing the foundation to keep all operating profits resulting from the operation of the facility each year.

The foundation must annually report to the fiscal committees of the General Assembly on the facility’s assessment of the maintenance and repair needed to keep the facility in operating order.

#### *Hagerstown Multi-Use Sports and Events Facility Fund*

The Hagerstown Multi-Use Sports and Events Facility Fund is established as a continuing, nonlapsing fund to enable MSA to (1) use the fund as a revolving fund for implementing the bill as it relates to the facility and (2) pay any expenses incurred by MSA that are related to the facility. MSA administers the fund. To the extent considered appropriate by MSA, the receipts of the fund must be pledged to and charged with the following relating to the facility:

- payment of debt service on MSA bonds;
- all reasonable charges and expenses related to MSA’s borrowing; and
- the management of MSA obligations.

For fiscal 2023 and each fiscal year thereafter, until the bonds that have been issued to finance the facility are no longer outstanding and unpaid, the Governor must include a \$3.75 million appropriation to the facility fund in the annual budget bill.

### *Sales and Use Tax Exemption*

The sales and use tax does not apply to a sale of “construction material,” as defined, if (1) the material is purchased for use in furtherance of the provisions of the bill for the construction or redevelopment of the Hagerstown Multi-Use Sports and Events Facility that is managed by MSA; (2) the sale is made on or after October 1, 2021; and (3) the buyer provides the vendor with evidence of eligibility for the exemption issued by the Comptroller. The Comptroller must adopt regulations to implement this requirement.

**Current Law:** MSA was established in 1986 as an independent unit in the Executive Department to be responsible for the construction, operation, and maintenance of facilities for use by professional baseball and/or football teams. In 1992, legislation was enacted, which assigned to the authority the responsibility for expansion of the Baltimore City Convention Center. MSA’s responsibility was further extended in 1995 when legislation was enacted to have MSA participate in and manage construction of the Ocean City Convention Center. Legislation in 1996 authorized MSA to participate with Montgomery County in the construction of a conference center, and in 2000, MSA was authorized to participate in construction of the Hippodrome Performing Arts Center in Baltimore. MSA may, in fact, manage any type of construction project for local governments and State agencies upon request and approval by the General Assembly.

### **State Fiscal Effect:**

#### *Facility Financing and Construction*

Nonbudgeted revenues increase by approximately \$10.0 million in fiscal 2022 and \$55.0 million in fiscal 2023 from bonds issued by MSA under the bill (which includes bond premium and is net of bond issuance costs). Nonbudgeted expenditures increase in total by that amount from fiscal 2022 through 2025 for costs associated with building the Hagerstown Multi-Use Sports and Events Facility, including for additional MSA staff. The precise timing of such expenditures is unknown at this time; however, for the purposes of this estimate, assumed MSA expenditures are \$0.5 million in fiscal 2022, \$15.0 million in fiscal 2023, \$35.0 million in fiscal 2024, and \$14.5 million in fiscal 2025. As discussed in more detail below, additional State funding totaling \$10.5 million has been provided

through other means to both the City of Hagerstown and the Hagerstown-Washington County Industrial Foundation for related purposes. While this estimate accounts for that available funding in the overall project timing and design, it is not included in the additional costs discussed here.

As part of the overall funding to support the facility described above, nonbudgeted MSA expenditures increase by \$100,111 in fiscal 2022, which accounts for the bill's October 1, 2021 effective date. This estimate reflects the cost of hiring one contractual project manager to oversee MSA's role in the construction of the facility. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1.0
Salary and Fringe Benefits	\$94,530
Other Operating Expenses	<u>5,581</u>
<b>Total FY 2022 MSA Staff Expenditures</b>	<b>\$100,111</b>

Future year expenditures for MSA staff of approximately \$115,000 to \$123,000 annually from fiscal 2023 through 2025 reflect a full salary with annual increases and employee turnover and the elimination of the contractual position at the end of the construction period. MSA advises that three existing staff will also be assigned to provide part-time support to the project; while those are not shown as new costs in the above estimate, a portion of their salaries may be allocated to the project and paid for with the associated bond revenues.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State's implementation of the federal Patient Protection and Affordable Care Act.

*Debt Service*

General fund expenditures increase by \$3.75 million annually from fiscal 2023 through 2052 to provide funding for the associated debt service payments, based on the assumption that MSA issues 30-year bonds and structures the repayments to match the availability of mandated appropriations for debt service. Nonbudgeted revenues and expenditures for the Hagerstown Multi-Use Sports and Events Facility Fund are assumed to increase correspondingly as funds are received and used to make debt service payments, although there may be slight timing differences, depending on the final debt service schedule.

*Sales and Use Tax Exemption*

General fund revenues decrease from fiscal 2023 through 2025 as a result of the sales and use tax exemption for the purchase of specified construction materials for the construction

or redevelopment of the Hagerstown Multi-Use Sports and Events Facility. Based on MSA's estimate of the timing and amount of generally taxable construction costs, revenues totaling approximately \$2.8 million are likely foregone during this period, and this amount is assumed to be phased as follows: \$0.3 million in fiscal 2023; \$1.7 million in fiscal 2024; and \$0.8 million in fiscal 2025.

It is assumed that costs for the Comptroller associated with adopting related regulations are minimal and absorbable within existing budgeted resources.

**Local Fiscal Effect:** The effect on the City of Hagerstown finances is unclear, as the bill does not specify any duties of the local government as part of the facility's construction or operation. The fiscal 2021 capital budget includes \$0.5 million for the Mayor and City of Hagerstown City Council for specified costs associated with the construction of the facility, which is not affected by this bill. While it is possible that local government expenditures further increase to support the project's construction and/or operation, the amount, if any, and timing of such expenditures are unknown. Local government revenues increase from additional economic activity associated with the facility's construction and eventual operation.

**Small Business Effect:** Small businesses associated with the design, construction, operation, and maintenance of the proposed facility, and businesses located adjacent to the facility, benefit from increased demand for their services under the bill.

**Additional Comments:** Under the bill, ownership of the facility is transferred to the Hagerstown-Washington County Industrial Foundation – a nongovernmental entity – which is also responsible for the facility's operation and maintenance. The fiscal 2022 operating and capital budgets include \$10.0 million for the Hagerstown-Washington County Industrial Foundation to pay for specified costs associated with the construction of the facility. While this estimate accounts for that available funding in the overall project timing and design, it is not a direct cost of this bill.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 1162 (Delegate Thiam) - Appropriations.

**Information Source(s):** Maryland Stadium Authority; Maryland State Treasurer's Office; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:**  
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Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510