

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 130 (Senator Ellis)
 Budget and Taxation

Economic Development - Maryland Stadium Authority - Charles County Sports and Wellness Center

This bill authorizes the Maryland Stadium Authority (MSA) to issue up to \$45.0 million in bonds for the purpose of financing acquisition, construction, renovation, and related expenses in connection with the Charles County Sports and Wellness Center, subject to specified requirements. This includes MSA transferring ownership of the center to Charles County under a written operating agreement. The bill establishes the Charles County Sports and Wellness Center Fund to implement the bill and pay for related expenses incurred by MSA.

Fiscal Summary

State Effect: Nonbudgeted revenues increase by approximately \$5.0 million in FY 2024 and \$46.7 million in FY 2025 from bonds issued by MSA; nonbudgeted expenditures increase in total by that amount from FY 2024 through 2027 for construction, MSA staff, and related costs. General fund expenditures increase by \$3.0 million annually from FY 2026 through 2055 to provide funding for debt service; nonbudgeted revenues and expenditures increase correspondingly.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
NonBud Rev.	\$5.0	\$46.7	\$3.0	\$3.0	\$3.0
GF Expenditure	\$0	\$0	\$3.0	\$3.0	\$3.0
NonBud Exp.	\$5.0	\$20.5	\$26.5	\$5.7	\$3.0
Net Effect	\$0.0	\$26.2	(\$26.5)	(\$5.7)	(\$3.0)

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:

Facilities Financing and Operation

“Charles County Sports and Wellness Center” means the events facility located in Charles County, Maryland, used for community events, recreational events, and other related activities. It includes fields and amphitheaters, offices, parking lots and garages, access roads, food service facilities, and other functionally related structures and improvements.

Generally, to finance site acquisition, design, and construction of any segment of the center, MSA must notify the fiscal committees of the General Assembly, as specified, and obtain the approval of the Board of Public Works of the proposed bond issue and the financing plan. MSA must also secure a written operating agreement to transfer ownership of the center from MSA to Charles County, as approved by BPW:

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

Charles County must annually report to the fiscal committees of the General Assembly on the county’s assessment of the maintenance and repair needed to keep the center in operating order.

Charles County Sports and Wellness Center Fund

The Charles County Sports and Wellness Center 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 center and (2) pay any expenses incurred by MSA that are related to the center. 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 center:

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

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. Since then, MSA has been authorized to construct a variety of other projects and facilities. 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: Nonbudgeted revenues increase by approximately \$5.0 million in fiscal 2024 and \$46.7 million in fiscal 2025 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 2024 through 2027 for costs associated with building the Charles County Sports and Wellness Center. The precise timing of such expenditures is unknown at this time; however, for the purposes of this estimate, assumed MSA expenditures are \$5.0 million in fiscal 2024, \$20.5 million in fiscal 2025, \$23.5 million in fiscal 2026, and \$2.7 million in fiscal 2027.

As part of the overall funding to support the facility described above, nonbudgeted MSA expenditures increase by \$168,593 in fiscal 2024, which accounts for the bill’s October 1, 2023 effective date. This estimate reflects the cost of hiring one contractual project manager to oversee MSA’s role in the construction of the facility and one contractual project coordinator to provide related support. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Positions	2.0
Salaries and Fringe Benefits	\$153,775
Other Operating Expenses	<u>14,818</u>
Total FY 2024 MSA Staffing Expenditures	\$168,593

Future year expenditures for MSA staff of approximately \$196,500 to \$214,000 annually from fiscal 2025 through 2027 reflect full salaries with annual increases and employee turnover and the elimination of the contractual positions at the end of the construction period. MSA advises that, at the end of the project, the staff hired may be reallocated to

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other projects and paid for either through nonbudgeted funds or other project funding; however, that possibility is not reflected in the above estimate.

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.

The bill does not identify a revenue source to repay the bonds. The Maryland Constitution requires any legislation authorizing the issuance of debt to provide for the collection of tax or taxes sufficient to service the debt. The Department of Legislative Services assumes an annual appropriation of \$3.0 million is provided to MSA to service the debt beginning in fiscal 2026. Accordingly, general fund expenditures increase by \$3.0 million annually from fiscal 2026 through 2055 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 appropriations for debt service. Nonbudgeted revenues and expenditures for the Charles County Sports and Wellness Center 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.

If MSA were instead to issue 20-year bonds, annual debt service payments and associated fund transfers would be approximately \$3.6 million instead of \$3.0 million.

Local Fiscal Effect: Local government expenditures increase to support the project's construction (potentially), operation, and maintenance; however, the amount and timing of such expenditures are unknown. Local government revenues increase from additional economic activity associated with the facility's construction and eventual operation. Charles County advises that the project's revenues likely will be insufficient to cover ongoing expenses, requiring support from local tax revenues.

Additional Comments: The fiscal 2023 capital budget includes \$1.0 million to Charles County for the acquisition, planning, design, construction, repair, renovation, reconstruction, site improvement, and capital equipping of "the Multicultural Recreational and Amphitheatre Facilities", which is not affected by this bill.

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

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 685 of 2022.

Designated Cross File: None.

Information Source(s): Maryland Stadium Authority; Board of Public Works; Charles County; Department of Legislative Services

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