

**Department of Legislative Services**  
 Maryland General Assembly  
 2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader**

Senate Bill 442

(Senator Corderman)

Budget and Taxation

Ways and Means

**Economic Development – Sports Entertainment Facilities – Financing and Construction**

This bill increases the amount of bonds that the Maryland Stadium Authority (MSA) may issue for “sports entertainment facilities” from \$200.0 million to \$220.0 million. The bill also allows a nonprofit organization that will own or operate a sports entertainment facility, instead of only certain governmental entities, to request financing from MSA and enter into a written agreement with MSA related to the ownership, marketing, promotion, maintenance, and repair of such a facility. The nonprofit organization is incorporated into an existing reporting requirement. **The bill takes effect July 1, 2023.**

**Fiscal Summary**

**State Effect:** Nonbudgeted revenues and expenditures for the Sports Entertainment Facilities Financing Fund (SEFFF) increase by \$15.0 million in FY 2024 and \$5.0 million in FY 2025 from additional bonds issued and the proceeds being used for authorized purposes. General fund revenues decrease by \$1.1 million in FY 2026 and by \$1.5 million in FY 2027 and 2028 for debt service payments (and by similar amounts thereafter until payments cease). Nonbudgeted revenues and expenditures for SEFFF increase correspondingly as funds are received and used for debt service payments.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	\$0	\$0	(\$1.1)	(\$1.5)	(\$1.5)
NonBud Rev.	\$15.0	\$5.0	\$1.1	\$1.5	\$1.5
NonBud Exp.	\$15.0	\$5.0	\$1.1	\$1.5	\$1.5
Net Effect	\$0.0	\$0.0	(\$1.1)	(\$1.5)	(\$1.5)

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

**Local Effect:** Potential meaningful, as discussed below.

**Small Business Effect:** Potential meaningful.

## Analysis

**Current Law:** Chapter 61 of 2022 established the current \$200.0 million limit on the amount of bonds that MSA may issue for “sports entertainment facilities” and established related conditions, as described below.

“Sports entertainment facility” means a structure or other improvement in the State 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 facility located at Camden Yards; a sports facility; or a high school, collegiate, or recreational venue that does not generate positive incremental tax benefits to the State.

### *Written Request, Agreement, and Approval*

Generally, to finance site acquisition, design, construction, equipping, and furnishing of any segment of a sports entertainment facility, MSA must have received a written request for financing and construction management services from the State, county, or local government in which the sports entertainment facility is located or will be located.

MSA must secure a written agreement with the State, county, or local government in which the sports entertainment facility is located 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.

MSA must obtain the approval of the Board of Public Works of the proposed bond issue, the financing plan, and the written agreement. MSA must also notify the fiscal committees of the General Assembly, as specified.

The county or local government in which a sports entertainment facility financed under the Act is located 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.

### *Sports Entertainment Facilities Financing Fund*

SEFFF is a continuing, nonlapsing fund established to enable MSA to (1) use the fund as a revolving fund for implementing Chapter 61 as it relates to sports entertainment facilities and (2) pay any expenses incurred by MSA that are related to sports entertainment

facilities. Beginning in fiscal 2023, up to \$25.0 million must be paid annually in two installments to SEFFF from the State Lottery Fund. No part of the fund may revert or be credited to the general fund or any special fund of the State.

A bond issued to finance a sports entertainment facility is a limited obligation of MSA, and the sole source of payment for bonds issued for a sports entertainment facility must be money on deposit in SEFFF.

### *Maryland Stadium Authority*

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:** MSA advises that the bill results in \$15.0 million in additional bond issuances in fiscal 2024 and \$5.0 million in additional bond issuances in fiscal 2025 to fund additional SEFFF expenditures. These amounts are in addition to an assumed \$50.0 million annually from fiscal 2024 through 2027 expected under the original \$200.0 million authorization. Accordingly, nonbudgeted revenues for SEFFF increase by \$15.0 million in fiscal 2024 and by \$5.0 million in fiscal 2025 from additional bonds issued. Nonbudgeted expenditures for SEFFF increase in total by that amount as the proceeds are used for authorized purposes, which may occur over several years. However, for purposes of this estimate, the funds are assumed to be spent in the year of issuance.

Assuming 30-year bonds with two years of capitalized interest, general fund revenues decrease by about \$1.1 million in fiscal 2026 and by about \$1.5 million annually thereafter until the debt service is repaid to provide State lottery revenues to SEFFF for debt service on the additional bonds. However, the actual debt service may vary depending on the timing and terms of the bonds issued. The amount for debt service covered through this distribution is capped at \$25.0 million, which is more than sufficient to cover these additional debt service costs. Nonbudgeted revenues and expenditures for SEFFF increase correspondingly as funds are received and used for debt service payments.

This estimate assumes no additional MSA staff are required due to the relatively small increase in bond issuances under the bill compared to the original \$200.0 million authorization.

**Local Fiscal Effect:** Generally, local government revenues increase from construction and related activities supported by the additional bond proceeds spent by MSA under the bill. Local government expenditures may increase to support the additional spending.

MSA advises that the inclusion of nonprofit entities under the bill allows for participation by the Hagerstown Multi-Use Sports and Events Facility, which upon completion, will be owned and operated by the Hagerstown-Washington County Industrial Foundation (known as “CHIEF”). Therefore, Washington County expenditures potentially increase to support MSA expenditures made eligible under the bill for the Hagerstown Multi-Use Sports and Events Facility. However, the MSA funds would be reallocated from other eligible purposes.

The net effect on any particular local government’s finances is unknown.

**Small Business Effect:** An additional \$20.0 million in State funding is available for construction and related activities at sports entertainment facilities, which may be further supported by additional local expenditures, some of which may benefit small businesses.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 20, 2023  
km/lgc Third Reader - March 10, 2023

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