

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 1146 (Delegate Hixson, et al.)
Ways and Means

Maryland Racing Reform Act of 1996

This bill makes fundamental changes in the laws governing the horse racing industry in Maryland. Reforms are made concerning the Racing Commission, thoroughbred racing, harness racing, and intertrack betting.

Fiscal Summary

State Effect: Special fund revenues would decrease by \$240,000 in FY 1997 and general fund expenditures would increase by \$2.2 million. Future year estimates reflect annual increases in salaries and operating expenses.

(in thousands)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	(\$ 240)	(\$ 320)	(\$ 320)	(\$ 320)	(\$ 320)
GF Expenditures	(2,153)	(2,899)	(2,994)	(3,093)	(3,196)
Net Effect	(\$2,393)	(\$3,219)	(\$3,314)	(\$3,413)	(\$3,516)

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

Local Effect: None.

Fiscal Analysis

Bill Summary: The provisions of this bill which could affect State finances are as follows:

Racing Commission

- The State must pay the costs of any additional employees the commission hires for race tracks.
- The State must pay the cost of maintaining the testing laboratory and the cost of laboratory tests done elsewhere.

Thoroughbred Racing

- The maximum number of thoroughbred racing days that the commission may award is raised from 216 to 276, and the maximum number of days that may be awarded to one person is changed from 108 to 138.
- The supplemental State tax for mile thoroughbred licensees is eliminated.
- The owner of the Bowie Race Course Training Center is not required to operate it as a thoroughbred training center if there are adequate facilities at Laurel and Pimlico Race Courses.

Harness Racing

- The maximum number of harness racing days that the commission may award is raised from 310 to 366, and the maximum number of days that may be awarded to one person is changed from 451 to 732.

Intertrack Betting

- Restrictions are removed regarding the percentage of available days on which live racing must be held at a track in order for the track to receive simulcast races.
- Sending tracks are no longer required to pay the State \$1,000 of impact aid per day for the receiving track of intertrack betting.

State Revenues: Under current law, sending tracks for intertrack betting must pay the State \$1,000 of impact aid per day of intertrack betting. There are approximately 320 days of intertrack betting per year. Thus the State receives \$320,000 in special fund revenue from this source each year. Since this requirement would be eliminated under this bill, special fund revenues would decrease by approximately \$320,000 per year. The decrease would only be \$240,000 in fiscal 1997, because the bill becomes effective on October 1, 1996.

The bill also eliminates the supplemental State tax for thoroughbred off-track betting (OTB). The tax is only effective in years that the total amount bet at OTB facilities exceeds \$100 million. In calendar 1995, the total amount bet at OTB facilities only reached \$64 million. In fact, the total amount bet has never exceeded \$100 million and the supplemental tax has never been applied. Since it is not anticipated that this minimum will be met, there will be no lost revenues to the State.

The bill also expands the number of available racing days for both thoroughbred and harness racing and removes restrictions on the number of days on which live racing must be held at a

track in order for that track to be a receiving track for intertrack betting. To the extent that licensees conduct additional days of racing, daily licensing fees (\$25 per racing day) could increase. To the extent that these revisions increase the total amount bet per year, racing tax revenues, which are .5% of the total amount bet, could increase. Any such increase cannot be reliably estimated at this time.

State Expenditures: This bill would increase general fund expenditures by approximately \$2.2 million in fiscal 1997, due to the costs of 53 unclassified employees of the race tracks and maintaining the testing laboratory for the tracks. This estimate includes \$1.6 million in salaries and fringe benefits for 53 track employees. These employees include auditors, experts, guards, inspectors, breathalyzer operators, scientists, secretaries, specimen collectors, veterinarians, and other race track personnel. The estimate also includes \$313,400 for contractual track personnel and \$236,500 for the operation of the testing laboratory. This estimate reflects the October 1, 1996 effective date of the bill. Annualized fiscal 1997 costs would be \$2.9 million.

Future year expenditures reflect full salaries with 3.5% annual increases and 2% annual increases in ongoing operating expenses.

The bill would also allow the Bowie Race Course Training Center to close if adequate facilities are provided at Laurel and Pimlico Race Courses. The State currently pays the City of Bowie \$50 for each day the training center operates, or \$18,200 annually. If the training center closes State expenditures could decrease by \$18,200 annually.

Information Source(s): Maryland Racing Commission, Department of Fiscal Services

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ncs

Analysis by: Lisa Kleinschmidt

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710