

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 657

(Senator Muse)

Finance

Ways and Means

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**Horse Racing - Maryland Foaled Stakes Program and Sires Stakes Program -  
Revisions**

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This bill eliminates the Maryland Foaled Stakes Program beginning in 2016 and specifies that funds in the Maryland Standardbred Race Fund must be distributed only to the Sire Stakes Program. The bill also repeals a requirement that the Maryland Racing Commission set each breeder's award and instead establishes a standardbred breeder's award.

The bill takes effect January 1, 2016.

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**Fiscal Summary**

**State Effect:** None. The bill does not materially affect the operations and finances of the Maryland Racing Commission. Beginning in January 2016, all future funds in the Maryland Standardbred Race Fund must be distributed solely to the Maryland Sire Stakes Program; however, the bill does not alter the total amount of the fund. Establishing the breeder's award codifies current practice.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. Beginning in 2016, breeders of horses sired by a Maryland stallion will be eligible for increased awards from the Maryland Sire Stakes Program, while breeders of horses foaled in Maryland will no longer be eligible for awards from the Maryland Foaled Stakes Program.

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## Analysis

**Bill Summary:** The bill specifies that a standardbred sire and dam may be eligible for a breeder's award of 8% under the Sire Stakes Program. The award is based on the amount of the purse distributed in a Sires Stakes Program race that is the final race, which is divided between the dam and sire of a horse, if the horse (1) receives purse money from a Sires Stakes final race; and (2) was foaled in Maryland, as shown by a registration certificate from the United States Trotting Association.

The breeder's award must be awarded as follows: 6.4% to the dam of the horse; and 1.6% to the sire of the horse. The awards must be paid to the individual or entity who was the owner of record with the United States Trotting Association of the dam or sire at the time the horse was bred. If the dam or sire was leased at the time the breeding took place, the award must be paid to the lessee of the horse, rather than the owner, if the lease was on record with the United States Trotting Association at that time.

**Current Law/Background:** The Maryland Racing Commission administers the Maryland-Bred Race Fund and the Maryland Standardbred Race Fund. The Maryland-Bred Race Fund was created in 1962 as an incentive program to encourage the improvement of thoroughbred horse breeding and racing in Maryland. The Standardbred Race Fund, created in 1971, serves as an incentive program to promote the breeding and racing of standardbred horses in Maryland.

The Maryland Racing Commission administers the two bred funds with the assistance and advice of separate advisory committees. Each advisory committee recommends to the Maryland Racing Commission the number, date, distance, and purse amount of fund races and the amounts of breeders' awards.

The Maryland-Bred Race Fund Advisory Committee consists of five members. Of the five members, two must be recommended by the Maryland Horse Breeders Association, one by the mile-thoroughbred racing licensees, and one by the State Fair and Agricultural Society. One member of the Maryland-Bred Race Fund Advisory Committee must also be a member of the Maryland Racing Commission.

The Standardbred Race Fund Advisory Committee also consists of five members. Of the five members, one must be recommended by the standardbred breeding industry, one by the Cloverleaf Standardbred Owners' Association, one by the commercial breeders, and one by the harness track licensees. One member of the Standardbred Race Fund Advisory Committee must also be a member of the Maryland Racing Commission.

The two bred funds receive a percentage of the daily handle collected at thoroughbred and harness race tracks; a percentage of the breakage (in pari-mutuel betting, the odd

cents left over after paying the successful bettors to the nearest \$0.10); and revenues received from various fees paid by horse owners. Legislation enacted in 2005 requires an annual distribution of \$300,000 from the horse racing special fund to the two bred funds, with 70% of the distribution going to the Maryland-Bred Race Fund and the remaining 30% going to the Maryland Standardbred Race Fund. That legislation also specifies that any revenues remaining in the special fund, after all required deductions and allocations are made, be divided equally among the two bred funds and the Maryland Agricultural Education and Rural Development Assistance Fund (previously any funds remaining in the special fund were transferred to the two bred funds).

Revenues from the two bred funds are distributed as purse money and as awards to owners and breeders of Maryland horses. With regards to the Maryland Standardbred Race Fund, funds are allocated to purses for two sets of races, the Maryland Standardbred Fund (or the Foaled Stakes Program) and the Maryland Sire Stakes Program. Only standardbred horses foaled in Maryland may start in races under the Foaled Stakes Program, and only standardbred horses that are sired by a Maryland stallion may start in races under the Maryland Sire Stakes Program. A small percentage of funds are also allocated to very limited breeder and stallion awards.

**Exhibit 1** shows the revenues from the Maryland Standardbred Race Fund and the distributions to the Sires Stakes Program and the Foaled Stakes Program for fiscal 2005 through 2011.

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**Exhibit 1**  
**Maryland Standardbred Race Fund**  
**Fiscal 2005-2011**

<u>Fiscal Year</u>	<u>Foaled Stakes Program</u>	<u>Sires Stakes Program</u>	<u>Total Revenues</u>
2005	\$627,761	\$779,104	\$1,406,865
2006	687,860	859,650	1,547,510
2007	620,200	816,750	1,436,950
2008	494,550	720,000	1,214,550
2009	315,550	445,000	760,550
2010	241,475	311,500	552,975
2011	260,250	447,500	707,750

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Code of Maryland Regulations (COMAR) 9.10.02.43 provides for an 8% breeder's award based upon the amount of the purse distributed, which must be divided between the dam

and sire of a horse, if the horse receives purse monies from a specified Sires Stakes Race and meets the eligibility requirements of the Sire Stakes Program. Of the 8% awarded, 6.4% must be awarded to the dam of the horse and 1.6% must be awarded to the sire of the horse, if the sire is still standing at stud in Maryland; died while standing at stud in Maryland; retired while standing at stud in Maryland; or left Maryland for breeding purposes in the southern hemisphere after the Maryland breeding season and, if still alive, returns to Maryland for the next breeding season.

The awards must be made to the individual or entity who was the owner of record with the United States Trotting Association of the dam and sire at the time the horse was bred; or the lessee of the horse, rather than the owner, if the dam or the sire, respectively, was leased at the time the breeding took place, and the lease was on record with the United States Trotting Association at that time.

**State Fiscal Effect:** The bill requires that, beginning in January 2016 (fiscal 2016), all future funds in the Maryland Standardbred Race Fund be distributed solely to the Maryland Sire Stakes Program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2012  
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