

Department of Legislative Services  
Maryland General Assembly  
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 49

(Senator Astle, *et al.*)

Finance

Ways and Means

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Horse Racing - Maryland-Bred Race Fund - Administration

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This bill authorizes the State Racing Commission to allocate a portion, rather than up to 5%, of the Maryland-Bred Race Fund to races that are restricted to horses that are conceived, but not necessarily foaled, in Maryland. The bill also requires the State Racing Commission to set the amount of specified breeder awards for races both in the State and outside the State.

The bill takes effect June 1, 2012.

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Fiscal Summary

**State Effect:** None. The bill does not alter the amount of money in the Maryland-Bred Race Fund, but rather how the money in the fund may be allocated.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful. The owner of a horse may continue receiving breeder incentives in the event there was no live thoroughbred racing in Maryland for an extended period of time.

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Analysis

**Current Law:** On recommendation of the Maryland-Bred Race Fund Advisory Committee, the State Racing Commission may allocate up to 5% of the fund to races that are restricted to horses conceived, but not necessarily foaled, in the State.

In addition, the commission must set (1) the number of Fund Races; (2) the amount of each purse; (3) the date of each Fund Race; (4) the location of each Fund Race held outside the State; (5) the distance of each Fund Race; (6) each breeder's award; and (7) any other condition needed to carry out the purpose of a Fund Race.

Chapter 4 of the 2007 special session allocated 7% of gross video lottery terminal (VLT) proceeds to the Purse Dedication Account (PDA) to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually. Of the amount in the fund, 80% is distributed to the thoroughbred industry and 20% is distributed to the standardbred industry. Of the amount that is distributed to the thoroughbred industry, 11% is dedicated to the Maryland-Bred Race Fund.

**Background:** The General Assembly created the Maryland-Bred Race Fund in 1962. The fund consists primarily of revenue from the percentage of the takeout from all horse races held by thoroughbred tracks. The fund is then apportioned among purses for stakes races for Maryland-bred horses and awards given to the owners and breeders. In order to be a registered Maryland-bred horse eligible for the awards, a horse must be foaled (born) in Maryland. Additionally, the horse must meet one of the following requirements: the breeder of the horse must reside in Maryland for more than nine months before the registration; the horse must be conceived in Maryland in the previous season; or the horse's dam must have been sent to Maryland to foal and after foaling was covered by a Maryland stallion during the season of the horse's birth.

Owner awards are paid when Maryland-bred horses win races other than stakes races and certain other races. Breeder awards and stallion awards are paid when a Maryland-bred horse wins or places in any stakes race in the State. Finally, yearling show bonus awards are given to the four highest winning two-year-olds and three-year-olds shown at the annual Maryland Horse Breeders Association show.

Of the revenues collected in the fund, approximately 55% is designated for purses and owner awards, and 45% is allocated to breeder and stallion awards. Breeder awards are twice the amount of stallion awards and range from 4% to 16% of the earner's share of the purse for the breeder and from 2% to 8% of the earner's share of the purse for the stallion owner. Owner awards are usually between 10% and 16% of the winner's share of the purse and are paid when a registered Maryland-bred horse wins a race other than a stakes race. The specific amount of the award is calculated at the end of each race meeting based on 1.1% of the total mutual handle dependent on the number of Maryland-breds earning bonuses.

Total VLT revenues for fiscal 2013 are estimated at \$524.6 million. Based on the current distribution the PDA is estimated to receive \$36.7 million and the Maryland-Bred Race Fund should receive approximately \$3.2 million in fiscal 2013 from that fund.

The bill is intended to provide flexibility in using the portion of the Maryland-Bred Race Fund that may be allocated to horses conceived, but not foaled in Maryland. The bill will allow the payment of a breeding incentive to a thoroughbred horse owner when their horse participates at a racetrack outside the State and qualifies for the incentive. The State Racing Commission advises that it anticipates making such payments only if there is no live racing in Maryland for an extended period of time.

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### **Additional Information**

**Prior Introductions:** Similar bills, SB 524 and HB 369, were introduced in the 2011 session but were withdrawn prior to receiving a hearing in the Senate Finance Committee and House Ways and Means Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 24, 2012  
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