

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 1581

(Chair, Appropriations Committee, *et al.*) (By Request -
 Departmental - Stadium Authority)

Appropriations

Budget and Taxation

Economic Development - Horse Racing Facilities, Prince George's County Blue
 Line Corridor Facilities, and Bus Rapid Transit - Alterations

This departmental bill alters provisions of law regarding various economic development-related projects, including (1) reconstruction of Pimlico Race Course and administration and oversight of live horse racing in Maryland; (2) the Prince George’s County Blue Line Corridor (BLC); and (3) Bus Rapid Transit (BRT). **The bill generally takes effect July 1, 2026; however, certain provisions take effect July 1, 2027.**

Fiscal Summary

State Effect: General fund revenues decrease by \$14.0 million annually beginning in FY 2027, with a commensurate increase in nonbudgeted revenues and expenditures. Transportation Trust Fund (TTF) expenditures increase by \$2.0 million annually beginning in FY 2028, with a commensurate increase in BRT Fund revenues and expenditures. General fund expenditures increase by \$5.0 million in FY 2028 only, with a commensurate increase in nonbudgeted revenues and expenditures that year. Purse Dedication Account (PDA) expenditures increase by \$2.0 million annually beginning in FY 2028, and a general fund appropriation may be required beginning in FY 2028 for the operation and maintenance of the Pimlico racing facility. **This bill modifies mandated distributions beginning in FY 2027, establishes a mandated distribution beginning in FY 2028, increases a mandated appropriation beginning in FY 2028, and establishes a one-time-only mandated appropriation for FY 2028.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(\$14.0)	(\$14.0)	(\$14.0)	(\$14.0)	(\$14.0)
SF Revenue	\$0	\$2.0	\$2.0	\$2.0	\$2.0
NonBud Rev.	\$14.0	\$19.0	\$14.0	\$14.0	\$14.0
GF Expenditure	\$0	\$5.0	-	-	-
SF Expenditure	\$0	\$6.0	\$6.0	\$6.0	\$6.0
NonBud Exp.	\$14.0	\$19.0	\$14.0	\$14.0	\$14.0
Net Effect	(\$14.0)	(\$23.0)	(\$18.0)	(\$18.0)	(\$18.0)

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

Local Effect: Howard County receives BRT grant funding of \$2.0 million and Montgomery County continues to receive \$27.0 million. The bill allows the BLC project to move forward in Prince George's County with the broader scope now envisioned.

Small Business Effect: The Maryland Stadium Authority (MSA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary:

Horse Racing Facilities

The bill repeals certain provisions of Chapter 604 of 2025 (Budget Reconciliation and Financing Act) and alters others; specifically, it:

- repeals the Maryland Economic Development Corporation's (MEDCO) involvement in the Pimlico Race Course reconstruction project by transferring all rights, responsibilities, powers, and privileges that were transferred from the Maryland Thoroughbred Racetrack Operating Authority (MTROA) to MEDCO through Chapter 604 to MSA;
- clarifies that the Maryland Jockey Club, Inc. (MJC) is the thoroughbred racetrack operator designated by MSA, and makes related clarifications required as a result of the termination of MTROA;
- clarifies that the new, nonprofit MJC is the thoroughbred racetrack licensee, unless MSA appoints a successor, nonprofit thoroughbred racetrack operator;
- repeals various obsolete and other references to MTROA and MEDCO and replaces them with MSA;
- repeals obsolete references to the obligations of MTROA to operate Pimlico and maintain it as a first-class racing facility and instead requires MJC to do so;
- clarifies the roles and obligations of MSA and MJC under a specified long-term operating agreement; and
- reinstates a 10% net profit-sharing provision (that was unintentionally repealed by Chapter 604) but with modifications such that distribution must be to the Pimlico Community Development Authority (rather than the Park Heights community) for further distribution to designated community organizations as outlined in the Pimlico Area Joint Plan.

With respect to horse racing and horse racing facilities, the bill also:

- clarifies that the Preakness Stakes may only be run *temporarily* at another track as a result of a disaster or emergency or during the reconstruction of Pimlico;
- requires the Governor to include an appropriation of \$5.0 million to the Racing and Community Development Facilities Fund in the fiscal 2028 budget for backstretch housing facilities at Laurel Park;
- requires \$2.0 million from PDA to be used for debt service for a training facility and other improvements; and
- increases the total amount of lottery funds distributed to the Racing and Community Development Financing Fund by as much as \$12.0 million annually beginning in fiscal 2027, specifically from *at least* \$17.0 million each year to exactly \$29.0 million each year (and delineates, by reference, certain other *existing* distribution requirements *to* the State Lottery Fund).

The bill modifies other existing requirements. First, after Pimlico is reconstructed, for any fiscal year in which MJC (as the thoroughbred racetrack operator, rather than MTROA) reports an operating loss, PDA must pay MJC (again, rather than MTROA) the amount of the operating loss. Second, the bill expands existing requirements that apply if thoroughbred racing is no longer a lawful activity or commercially viable as a result of a change in law or regulation. In such a case, the parties to the long-term agreement are already required to notify the Board of Public Works (BPW) before the expiration or termination of that agreement and that notice must already include a termination plan. However, the bill clarifies that the termination plan is for alternative uses for the Pimlico racing facility site and specifies that, if racing is no longer a lawful activity, a process for community input about the future use of the facility is also required. Further, if there is a dispute regarding whether thoroughbred racing is no longer lawful or commercially viable, the bill authorizes MSA to adjudicate the dispute as a contested case under the Administrative Procedure Act.

Prince George's County Blue Line Corridor

With respect to the Prince George's County BLC, the bill (1) alters the definition of BLC to include an area that is designated as an enterprise zone in Prince George's County; (2) broadens the types of facilities for which MSA may issue bonds; (3) increases the authorization for bond issuance from \$400.0 million to \$425.0 million; and (4) increases the amount of lottery funds distributed to the BLC Facility Fund each year for debt service by \$2.0 million – from \$27.0 million to \$29.0 million – beginning in fiscal 2027.

Whereas a sports facility is specifically excluded from the definition under current law, the bill allows financing to encompass a sports facility – including a sports stadium, practice

field, or team headquarters – as well as a market hall, a mixed-use development, a technology innovation center, and a facility related to commercial development and revitalization. The bill also retains the authorization for a facility in the corridor to be a convention center, an arts and entertainment amphitheater, and any other functionally related structures, improvements, infrastructure, furnishings, or equipment of the facility (including parking garages).

Bus Rapid Transit System Grants

With respect to BRT system grants, the bill (1) alters the BRT system grant program to award grants only to two counties (with Montgomery County receiving \$27.0 million and Howard County receiving \$2.0 million); (2) expands the authorized uses of grant funding to encompass design costs as well as specified costs associated with other necessary facilities, equipment, and infrastructure for BRT system projects; (3) requires the Maryland Department of Transportation (MDOT) to develop and implement a multi-year grant agreement to remain in effect until the principal of and interest on any bonds issued by Montgomery or Howard counties are paid in full; and (4) increases the total amount allocated to the BRT Fund each year to \$29.0 million, specifically by increasing the portion of funding appropriated from TTF to the BRT Fund from \$10.0 million to \$12.0 million (which begins in fiscal 2028 as discussed below).

Miscellaneous

The bill repeals provisions of law regarding MSA's ability to establish affiliated foundations to work with Maryland Sports (an office within MSA), effective July 1, 2027.

Current Law:

Racing and Community Redevelopment Act of 2020

Chapter 590 of 2020 provided for the redevelopment of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County, as well as for the conveyance of the Bowie Race Course Training Center.

Chapter 590 authorized MSA, subject to the approval of BPW, to issue up to \$375.0 million in bonds to finance planning, design, and construction and related expenses for construction management, professional fees, and contingencies in connection with racing facilities. Chapter 590 also specified the requirements for and the contents of long-term agreements for management and operations at the Pimlico and Laurel Park racing facility sites. In addition, Chapter 590 provided for the financing of the racing facility redevelopment projects and for the payment of debt service on bonds issued by MSA, with the establishment of both the Racing and Community Development Facilities Fund and the

Racing and Community Development Financing Fund, with the latter capitalized with \$17.0 million a year from the State Lottery Fund beginning in fiscal 2022.

Maryland Thoroughbred Racetrack Operating Authority

Chapter 111 of 2023 established MTROA as a body politic and corporate and an instrumentality of the State, with the stated purpose of maintaining the State as a best-in-class thoroughbred racing venue. To that end, the authority was authorized to:

- study and make any recommendations that the authority finds are in the best interests of thoroughbred racing in the State;
- in coordination with other State entities, develop new and existing horse racing and training facilities in the State;
- take specified actions, but only in accordance with an executive order or a determination of the Maryland Racing Commission, and subject to specified review and comment, that a thoroughbred racing licensee – for any reason other than weather, an act of God, or other circumstances beyond the control of the licensee – is unable to support the minimum number of live racing days;
- enter into any agreements, leases, partnerships, or contracts necessary to support and sustain Maryland thoroughbred racing and pari-mutuel wagering activity and ensure compliance with Maryland Racing Commission rules and regulations;
- authorize or create a separate body, entity, or holding company to carry out any provisions of the Act;
- adopt regulations to carry out the provisions of the Act; and
- make any other recommendations the authority deems necessary.

Chapter 111 allowed MTROA, under such an order or determination, to manage and oversee day-to-day thoroughbred horse racing operations, live racing days, and assets in the State and, in coordination with MEDCO, acquire property or contractual interests, as specified. Under such circumstances, the Maryland Racing Commission may issue a license and live racing days to the authority.

Chapter 410 of 2024

Chapter 410 of 2024 provided for the transfer of ownership and operation of thoroughbred racing facilities in the State to MTROA. Chapter 410 also altered provisions of Chapter 590 of 2020 and Chapter 111 of 2023 and made additional funding available to MTROA.

Chapter 410 authorized MSA to issue up to \$400.0 million in bonds to finance the construction of the facilities. At least \$250.0 million of the bond revenues must be allocated for the renovation of the Pimlico Race Course, and at least \$110.0 million must be allocated

for a new training facility. Chapter 410 specified that *at least* \$17.0 million of State Lottery Fund revenues must be transferred annually to the Racing and Community Development Financing Fund to provide debt service payments for the bonds.

Chapter 604 of 2025 (Budget Reconciliation and Financing Act)

Chapter 604 of 2025 terminated MTROA, effective June 30, 2025. Chapter 604 made MSA the successor entity for the planning, design, construction, and ownership of a racing and community development project and MEDCO the successor entity for the operation of a racing and community development project. Chapter 604 transferred all rights, responsibilities, personal property, etc. of MTROA, including those related to MJC, to MEDCO.

Chapter 604 established that a nonprofit operator of a racing and community development project (1) may not be construed to be an agency or instrumentality of the State, or a unit of the Executive Branch, for any purpose; (2) may be replaced with another business entity with the concurrent approval of MSA and MEDCO; and (3) must reimburse MSA for the cost of a full-time auditor responsible for overseeing the financial transactions and records related to racing and community development project costs and ongoing operations.

Prince George's County Blue Line Corridor

Chapter 61 of 2022 established the authorization for MSA to issue \$400.0 million in bonds for facilities in the Prince George's County BLC. This corridor is an area in central Prince George's County, the specific boundaries of which are designated by public local law, near the intersections of I-495 and Landover Road, Arena Drive, and Central Avenue. The types of facilities that may be financed are limited, by definition, to a convention center, an arts and entertainment amphitheater, and any other functionally related structures, improvements, infrastructure, furnishings, or equipment of the facility (including parking garages).

MSA must secure a written agreement with Prince George's County identifying the roles and responsibilities of each party. To finance site acquisition, planning, design, and construction of a Prince George's County BLC facility, MSA must notify the fiscal committees of the General Assembly and provide them with a comprehensive financing plan, as specified, and obtain the approval of BPW of the proposed bond issue, the financing plan, and the required agreement with Prince George's County.

Chapter 61 also established the BLC Facility Fund as a continuing, nonlapsing fund administered by MSA to use as a revolving fund for financing a BLC facility and to pay expenses incurred by MSA that are related to that facility. Initially, and beginning in fiscal 2024, up to \$27.0 million was to be paid annually in two installments to the BLC

Facility Fund from the State Lottery Fund, until the bonds that have been issued to finance BLC facilities are no longer outstanding and unpaid. However, Chapter 483 of 2024 established that \$27.0 million had to be transferred annually.

Bus Rapid Transit System Grants

Chapter 61 of 2022 established a BRT system grant program in MDOT, with lottery funds as the revenue source. “Bus rapid transit system” means a bus line that operates on at least some portion of roadway dedicated to buses and offers off-board fare collection (or another form of high efficiency fare collection) if a fare is charged. MDOT must use these funds to award a grant to an “eligible grantee” – defined as a county or municipality that has a BRT system that operates in the county or municipality and has no ongoing or completed facility, as specified.

The program has been modified each year since, with Chapter 112 of 2023 establishing the BRT Fund as a special, nonlapsing fund, administered by MDOT, to provide the grants. While funding from the State Lottery Fund for the grant program and then the BRT Fund was initially up to \$27.0 million, based on specified deposits for MSA debt service, Chapter 483 of 2024 required the transfer of an amount *equal* to \$27.0 million, beginning in fiscal 2025. Most recently, Chapter 604 of 2025 modified the funding to require that, beginning in fiscal 2026, \$17.0 million be paid from the State Lottery Fund and \$10.0 million be appropriated from TTF.

If there is more than one eligible grantee, MDOT must distribute the funds in a specified manner, such that Montgomery County – if it is an eligible grantee – is guaranteed to receive at least \$20.0 million (if there are more than three eligible grantees). The funding distributed to Montgomery County increases to at least \$25.0 million if there are two eligible grantees.

Eligible uses of the funds include:

- financing and refinancing of the costs related to the construction, acquisition, improvement, equipping, rehabilitation, and expansion of BRT system projects;
- payment of debt service on bonds issued to finance BRT system projects;
- payment of all reasonable expenses and charges related to bond issuance and borrowing; and
- payment of costs relating to the management and operation of BRT system projects.

If an eligible grantee uses these funds for the payment of debt service on bonds issued to finance BRT system projects, the eligible grantee must issue bonds in accordance with an

ordinance or resolution, which may specify all matters relating to the advertisement, sale, issuance, delivery, and payment of the bonds.

MDOT must distribute grants to eligible grantees in a timely manner and may not impose any additional conditions on an eligible grantee on receipt of a grant.

Background: BPW approved the transfer of Pimlico Race Course to MTROA in May 2024. In addition, MJC was created in September 2024 as the nonprofit entity required to coordinate racing operations. All operational contracts and employee agreements for the prior MJC were reviewed and assigned to the new MJC. The new MJC assumed day-to-day control of all horse racing operations in Maryland on January 1, 2025.

In April 2022, the MSA Board of Directors approved a request from the Prince George's County Executive to assist with the feasibility, design, and development of sports and entertainment facilities along the BLC. MSA subsequently negotiated a memorandum of understanding (MOU) with the county. In January 2023, BPW approved the MOU that formally begins the process to issue the bonds. However, no bonds have been issued yet. Also, per that MOU, the county identifies the projects – which have changed slightly under a new county executive. Absent the bill and removal of the restrictions on the type of facilities, MSA cannot fund design or construction of the desired projects.

State Fiscal Effect: As discussed further below, the bill (1) increases two mandated distributions from the State Lottery Fund by a total of \$14.0 million beginning in fiscal 2027; (2) increases a mandated distribution from TTF to the BRT Fund beginning in fiscal 2028; (3) establishes a one-time mandated appropriation of \$5.0 million for Laurel Park in fiscal 2028; (4) establishes a mandated appropriation of \$2.0 million for debt service for a training facility from PDA beginning in fiscal 2028; and (5) increases the maximum bond issuance authorization for BLC facilities.

Mandated Distributions and Appropriation

The bill increases the total amount of lottery funds distributed annually to the Racing and Community Development Financing Fund from at least \$17.0 million to exactly \$29.0 million beginning in fiscal 2027. The bill also increases the amount of the required annual distribution from the State Lottery Fund to the BLC Facility Fund from \$27.0 million to \$29.0 million beginning in fiscal 2027. As a result, less money is available for distribution to the general fund. Thus, general fund revenues decrease by \$14.0 million annually beginning in fiscal 2027, and nonbudgeted revenues and expenditures increase correspondingly.

In addition, the bill increases the amount of a mandated appropriation from TTF to the BRT Fund from \$10.0 million to \$12.0 million beginning in fiscal 2027; however, despite the intention for the higher level of funding to be provided in fiscal 2027, it cannot be *required* until fiscal 2028. As a result, TTF expenditures increase by \$2.0 million annually beginning in fiscal 2028 and BRT Fund revenues and expenditures increase correspondingly. MDOT advises that this increase in required spending may require it to cut or defer projects that are in the current *Consolidated Transportation Program*.

Special fund expenditures from PDA increase by \$2.0 million annually, beginning in fiscal 2028, due to a required distribution of account proceeds for debt service payments for a training facility.

Finally, general fund expenditures increase by \$5.0 million in fiscal 2028 only for the mandated appropriation to the Racing and Community Development Facilities Fund in MSA; the funding must be used only for backstretch housing facilities at Laurel Park. Thus, nonbudgeted revenues and expenditures increase correspondingly in fiscal 2028.

Blue Line Corridor Facilities

The bill also increases the total amount of bonds that may be issued for BLC facilities from \$400.0 million to \$425.0 million. No bonds have been issued to date.

Lottery Bond Coverage Ratios

MSA issues bonds to support capital projects. Issuers commonly report coverage ratios, which compare revenues supporting debt service to debt service costs. Most of MSA's issuances are supported by lottery revenue collected by the State Lottery and Gaming Control Agency and deposited into the State Lottery Fund. To demonstrate that the State Lottery Fund deposits have adequate protections to withstand volatility, MSA's goal is to have a coverage ratio so that these deposits are at least three times the statutory distributions. Rating agencies have identified this as a credit strength. Lottery bonds are rated AA, which is a high revenue bond rating.

Section 9-120(b) of the State Government Article dictates the order of distributions from the State Lottery Fund. Mandated lottery distributions increased from \$47.0 million in fiscal 2024 to \$148.0 million in fiscal 2025 and have continued to increase. The estimated coverage ratio for these revenues is 3.1 in fiscal 2027. At the 3.1 coverage ratio, revenues are only \$10.0 million more than the minimum amount required to maintain a 3.0 coverage ratio for all distributions. The bill increases distributions from the State Lottery Fund by \$14.0 million beginning in fiscal 2027, which will reduce the coverage ratio to less than 3.0. MSA has received feedback from rating agencies that letting the coverage ratio fall below 3.0 could increase borrowing costs and lead to a downgrade in the AA bond rating.

The State Treasurer's Office advises that Montgomery County plans to issue BRT bonds supported by \$17.0 million in lottery distributions and \$10.0 million in TTF revenues. These revenues are already included in the calculation of the 3.1 coverage ratio in fiscal 2027. Since bonds supported by TTF revenues are State debt, this debt could be construed as State debt and added to State debt affordability calculations. Under the bill, the TTF appropriation increases by \$2.0 million to \$12.0 million beginning in fiscal 2028. This could also invite additional scrutiny from the rating agencies since bonds issued by the county (and later by Howard County) are supported by State revenues and part of the agencies' due diligence includes reviewing revenues from previously issued bonds.

Maryland Stadium Authority – Racing Facilities

MSA is a nonbudgeted agency and does not generally receive State funds for operations. MSA advises that there is no expected increase in expenditures for fiscal 2027. However, the agency indicates that a general fund appropriation may be needed for the operation and maintenance of the Pimlico racing facility beginning in fiscal 2028. In addition, a general fund appropriation may be required to fund a capital improvement account for the racing facility. The amount of any future appropriation cannot be reliably estimated as MSA has not yet developed a plan for the operation and maintenance of the racing facility. MSA advises that planning will begin once the final design and construction of the facility have occurred. Otherwise, the transfer of responsibilities from MEDCO to MSA under the bill can be handled with existing resources.

Additional Comments: The bill reinstates a net profit-sharing provision that was repealed in 2025. As that repeal was inadvertent and the associated fiscal impact was not accounted for, the impact of its reinstatement is also not accounted for in this fiscal and policy note.

Any impact on MSA's nonbudgeted funds due to repealing the authorization for MSA to establish affiliated foundations to work with Maryland Sports is assumed to be minimal and has not been accounted for in this fiscal and policy note.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Office of Administrative Hearings; Maryland Stadium Authority; State Treasurer's Office; Department of Legislative Services

Fiscal Note History:
caw/jrb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Economic Development - Horse Racing Facilities, Prince George's County Blue Line Corridor Facilities, and Bus Rapid Transit – Alterations

BILL NUMBER: HB 1581

PREPARED BY: Rachelina Bonacci, Gary McGuigan, Dawn Abshire

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS