

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 361 (Senator Baker, *et al.*)
Finance and Budget and Taxation

Distribution of Lottery Proceeds - Horse Racing - Purses

This bill provides that up to \$15 million of net lottery revenues shall be distributed monthly to the horse racing special fund, which is to be used to increase harness and thoroughbred purses. The allocation of funds to individual races shall be decided by licensees and the organizations representing a majority of owners and trainers of standardbred and thoroughbred horses in the State, and is subject to the approval of the State Racing Commission.

Fiscal Summary

State Effect: General fund revenues would decline by an estimated \$135 million in FY 1998, which reflects the bill's October 1, 1997 effective date, and \$180 million annually thereafter. Expenditures would not be affected.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	(\$135)	(\$180)	(\$180)	(\$180)	(\$180)
GF Expenditures	0	0	0	0	0
Net Effect	(\$135)	(\$180)	(\$180)	(\$180)	(\$180)

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

Local Effect: None.

Small Business Effect: Meaningful impact on small businesses, as discussed below.

Fiscal Analysis

State Revenues: The lottery is expected to generate \$368.7 million in general fund revenue in fiscal 1998, or \$30.7 million monthly. This bill provides that up to \$15 million shall be distributed to the horse racing special fund after the first day of each month. Thus, general

fund revenues in fiscal 1998 would decline by \$135 million, for nine months of distributions, and \$180 million annually thereafter.

Small Business Effect: Enhancing the purses will result in significantly increased income for horse owners, breeders, and trainers, many of whom are presumed to be small businesses. Harness purses totaled \$7.9 million in 1996 while thoroughbred purses totaled \$41 million. Distributing \$180 million of lottery revenues would increase total purses by about 370%. To the extent that increased purses result in more out-of-state horses racing in Maryland, the increased income for Maryland owners would be reduced.

Information Source(s): Department of Labor, Licensing and Regulation, Department of Fiscal Services

Fiscal Note History: First Reader - March 17, 1997
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