

SENATE BILL 263

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1998 Regular Session
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By: ~~Senator Miller~~ **Senators Miller and McFadden**
Introduced and read first time: February 2, 1998
Assigned to: Finance and Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted with floor amendments
Read second time: March 19, 1998

CHAPTER _____

1 AN ACT concerning

2 **Horse Racing - ~~Special Fund~~ Distribution of Special and General Funds -**
3 **Taxes**

4 FOR the purpose of requiring that funds remaining in the Special Fund be allocated
5 in certain amounts to the Maryland-Bred Race Fund and to the Maryland
6 Standardbred Race Fund; altering the termination provision relating to the
7 allocation of certain amounts bet on certain thoroughbred and harness races to
8 certain taxes and purses; requiring that certain budgeted funds be used to
9 increase purses and certain bred funds at harness racing tracks and mile
10 thoroughbred racing tracks in the State, to fund certain studies, and for certain
11 marketing expenses; requiring certain reports; requiring the Department of
12 Labor, Licensing, and Regulation to initiate the formation of a certain
13 partnership; requiring that the purses be allocated according to a certain
14 formula; requiring that all funds for purses and bred funds under this Act be in
15 addition to and not supplant certain other funds; requiring that certain funds
16 for certain bred funds be expended in a certain manner; providing for the
17 termination of certain provisions of this Act; and generally relating to horse
18 racing in the State.

19 BY repealing and reenacting, with amendments,
20 Article - Business Regulation
21 Section 11-406
22 Annotated Code of Maryland
23 (1992 Volume and 1997 Supplement)

24 BY repealing and reenacting, without amendments,
25 Article - Business Regulation

1 Section 11-402, 11-515, 11-614, and 11-616
2 Annotated Code of Maryland
3 (1992 Volume and 1997 Supplement)

4 BY repealing and reenacting, with amendments,
5 Chapter 750 of the Acts of the General Assembly of 1997
6 Section 5

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article - Business Regulation**

10 11-402.

11 The Special Fund consists of:

- 12 (1) the State share of daily licensee fees;
13 (2) pari-mutuel taxes;
14 (3) the impact aid under § 11-812 of this title;
15 (4) except as provided in § 11-521 of this title, money from uncashed
16 pari-mutuel tickets that are from bets made into the betting pools of nonharness
17 licensees; and
18 (5) any permit fees under § 11-820 and 11-832 of this title.

19 11-406.

20 After all deductions from the Special Fund are made, money that remains in the
21 Special Fund shall be [paid into the General Fund of the State] ALLOCATED IN THE
22 FOLLOWING WAY:

- 23 (I) 70% TO THE MARYLAND-BRED RACE FUND; AND
24 (II) 30% TO THE MARYLAND STANDARD BRED RACE FUND, TO BE
25 DIVIDED EQUALLY BETWEEN THE SIRES STAKES PROGRAM AND THE FOAL
26 STAKES PROGRAM.

27 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
28 read as follows:

1

Article - Business Regulation

2 11-515.

3 (a) Except as provided in §§ 11-515.1 and 11-516 of this subtitle, the takeout
4 that a licensee deducts from the handle of a race shall be allocated in accordance with
5 this section.

6 (b) A licensee shall:

7 (1) keep 50% of the breakage;

8 (2) allocate 45% of the breakage for purses; and

9 (3) allocate 5% of the breakage to the Maryland-Bred Race Fund.

10 (c) From the 17% that a licensee deducts from each regular mutuel pool, the
11 licensee shall:

12 (1) keep 7.70% of each regular mutuel pool, from which the licensee shall
13 pay 0.25% of each regular mutuel pool to the Maryland Race Track Employees
14 Pension Fund;

15 (2) allocate 0.32% of each regular mutuel pool to the Commission for
16 State tax;

17 (3) allocate 1.10% of each regular mutuel pool to the Maryland-Bred
18 Race Fund; and

19 (4) allocate 7.88% of each regular mutuel pool for purses.

20 (d) From the 19% that a licensee deducts from each multiple mutuel pool on 2
21 horses, the licensee shall:

22 (1) keep 8.70% of each multiple mutuel pool, from which the licensee
23 shall pay 0.25% of each multiple mutuel pool to the Maryland Race Track Employees
24 Pension Fund;

25 (2) allocate 0.32% of each multiple mutuel pool to the Commission for
26 State tax;

27 (3) allocate 1.10% of each multiple mutuel pool to the Maryland-Bred
28 Race Fund; and

29 (4) allocate 8.88% of each multiple mutuel pool for purses.

30 (e) From the 25% that a licensee deducts from each multiple mutuel pool on 3
31 or more horses, the licensee shall:

1 (1) keep 11.70% of each multiple mutuel pool, from which the licensee
2 shall pay 0.25% of each multiple mutuel pool to the Maryland Race Track Employees
3 Pension Fund;

4 (2) allocate 0.32% of each multiple mutuel pool to the Commission for
5 State tax;

6 (3) allocate 1.10% of each multiple mutuel pool to the Maryland-Bred
7 Race Fund; and

8 (4) allocate 11.88% of each multiple mutuel pool for purses.

9 11-614.

10 Except as provided in § 11-614.1 of this subtitle, a licensee whose average
11 handle is over \$600,000 shall:

12 (1) allocate 0.32% of each mutuel pool to the Commission as State tax;

13 (2) allocate for purses 0.18% of each mutuel pool, or an amount that is
14 otherwise agreed to by the licensee and the organization representing a majority of
15 the harness owners and trainers in the State, which shall provide revenue in addition
16 to any other funds set aside for purses by private parties;

17 (3) allocate 0.25% of each mutuel pool to the Maryland Harness Track
18 Employees Pension Fund;

19 (4) keep 16.25% of each regular mutuel pool;

20 (5) keep 18.25% of each multiple mutuel pool on 2 horses; and

21 (6) keep 24.25% of each multiple mutuel pool on 3 or more horses.

22 11-616.

23 A licensee whose average handle is \$600,000 or less shall:

24 (1) allocate 0.32% of each mutuel pool to the Commission as State tax;

25 (2) allocate for purses 0.18% of each mutuel pool, or an amount that is
26 otherwise agreed to by the licensee and the organization representing a majority of
27 the harness owners and trainers in the State, which shall provide revenue in addition
28 to any other funds set aside for purses by private parties;

29 (3) subject to § 11-618 of this subtitle, allocate 0.25% of each mutuel pool
30 to the Maryland Harness Track Employees Pension Fund;

31 (4) keep 18.00% of each regular mutuel pool;

32 (5) keep 20.00% of each multiple mutuel pool on 2 horses; and

1 (6) keep 26.00% of each multiple mutuel pool on 3 or more horses.

2 **Chapter 750 of the Acts of 1997**

3 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 June 1, 1997. It shall remain effective for a period of [one year] 2 YEARS AND 1
5 MONTH and, at the end of [May 31, 1998] JUNE 30, 1999, with no further action
6 required by the General Assembly, this Act shall be abrogated and of no further force
7 and effect.

8 SECTION 3. AND BE IT FURTHER ENACTED, That the changes to § 11-406
9 of the Business Regulation Article, as enacted by Section 1 of this Act, shall remain
10 effective for a period of 1 year and, at the end of ~~June 30~~, May 31, 1999, with no
11 further action required by the General Assembly, Section 1 of this Act shall be
12 abrogated and of no further force and effect.

13 SECTION 4. AND BE IT FURTHER ENACTED, That:

14 (a) Contingent upon an appropriation of \$10 million of general funds in the
15 State budget for Fiscal Year 1999 for the Department of Labor, Licensing, and
16 Regulation to be used for the horse racing industry, the Department of Labor,
17 Licensing, and Regulation shall use:

18 (1) \$8,000,000 to increase purses at harness race tracks and
19 thoroughbred race tracks in the State and to enhance the Maryland-Bred Race Fund
20 and the Standardbred Race Fund in the following manner:

21 (i) 62.3% for purses at the mile thoroughbred race tracks and
22 Timonium;

23 (ii) 7.7% to the Maryland-Bred Race Fund;

24 (iii) 26.7% for purses at the harness race tracks; and

25 (iv) 3.3% to the Maryland Standardbred Race Fund;

26 (2) \$200,000 for Preakness purses;

27 (3) \$280,000 for studies of the horse racing industry, including:

28 (i) a determination of the market for horse racing and the ways
29 and means of reaching that market, taking into consideration the findings of the
30 Rosecroft Raceway Marketing Association Report and the findings of the National
31 Thoroughbred Racing Association's research related to Laurel Park and horse racing
32 throughout the nation and any strategies that the National Thoroughbred Racing
33 Association might develop;

34 (ii) an analysis of the economic impact of horse racing and breeding
35 in the State;

- 1 (iii) an evaluation of public-private partnership alternatives; and
- 2 (iv) an analysis of the economic impact of the \$500,000 provided for
3 the Maryland Million in Chapter 748 of the Acts of the General Assembly of 1997, the
4 \$5,000,000 purse enhancement in Fiscal Year 1998 and the approximately \$1,000,000
5 of enhancements from the reduction in the wagering tax provided in Chapter 750 of
6 the Acts of the General Assembly of 1997, and the approximately \$1,800,000 shift in
7 annualized personnel costs from the race tracks to the State provided in Chapter 751
8 of the Acts of the General Assembly of 1997; and
- 9 (v) an assessment of the financial obligations and viability of the
10 organizations that own the mile thoroughbred race tracks and the harness race tracks
11 in the State;
- 12 (4) \$1,500,000 to implement the recommendations from the marketing
13 study required under item (3)(i) of this subsection, to be expended only upon receipt of
14 matching funds from the racing industry; and
- 15 (5) \$20,000 to market the "Mane Attraction" at the Rosecroft Raceway.
- 16 (b) The written report of the results of the studies required under subsection
17 (a)(3) of this section shall be submitted by December 1, 1998 to the Governor and, in
18 accordance with § 2-1246 of the State Government Article, the General Assembly.
- 19 (c) The Department of Labor, Licensing, and Regulation shall initiate the
20 formation of a partnership of track operators, horse breeders, trainers, and others, as
21 appropriate, who are representative of thoroughbred and standardbred sectors of the
22 industry to assist in developing industry marketing surveys and strategies.
- 23 (d) The purses shall be increased under subsection (a) of this section at
24 harness race tracks, mile thoroughbred race tracks, and Timonium Race Course
25 according to a formula determined by the Maryland Racing Commission, the race
26 track licensees, the organization that represents a majority of owners and trainers of
27 standardbred horses in the State, and the organization that represents a majority of
28 owners and trainers of thoroughbred horses in the State.
- 29 (e) All funds provided for purses under subsection (a) of this section at
30 harness race tracks, mile thoroughbred race tracks, and Timonium Race Course shall
31 be in addition to and may not supplant:
- 32 (1) amounts allocated for purses under current agreements between the
33 harness race tracks and the organization that represents a majority of owners and
34 trainers of standardbred horses in the State; and
- 35 (2) amounts otherwise provided by law for purses at mile thoroughbred
36 race tracks in the State and Timonium Race Course.
- 37 (f) The amounts designated for the Maryland-Bred Race Fund and the
38 Maryland Standardbred Race Fund under subsection (a) of this section shall be

1 expended in a manner recommended by the advisory committee to each fund and
2 approved by the Maryland Racing Commission.

3 SECTION 5. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall
4 take effect July 1, 1998. It shall remain effective for a period of 1 year and, at the end
5 of June 30, 1999, with no further action required by the General Assembly, Section 4
6 of this Act shall be abrogated and of no further force and effect.

7 SECTION 4. ~~6.~~ AND BE IT FURTHER ENACTED, ~~That~~ That, except as
8 provided in Section 5 of this Act, this Act shall take effect June 1, 1998.