

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 837 (Delegates C. Davis and Hixson)

Ways and Means

Horse Racing - Allocation of Funds - Purse Enhancement, Studies, and Marketing

This bill requires that the first \$5 million of revenue from the State lottery over \$352,701,000 for fiscal 1998 be distributed to a special fund to be used to increase purses at harness racing tracks, mile thoroughbred tracks, and Timonium Race Course, and to supplement existing bred funds. If an excess of \$5 million is not realized, the Governor may request a deficiency appropriation for the difference during the 1999 Session. The bill also directs the expenditure of \$5 million of appropriated aid to the horse racing industry. A written report of the results of studies funded by these expenditures must be submitted by December 31, 1998 to the Governor and the General Assembly.

This bill is effective July 1, 1998, and sunsets June 30, 1999.

Fiscal Summary

State Effect: General fund revenues could decline by up to \$5 million; net revenues would not be affected. This bill directs the expenditure of up to \$10 million of aid for the horse racing industry (the FY 1999 budget includes \$5 million of aid for the horse racing industry).

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

Bill Summary: In addition to requiring the distribution of the first \$5 million of general fund lottery revenue over \$352,701,000 to a special fund for the horse racing industry, the bill directs the expenditure of up to \$10 million of aid to the horse racing industry, contingent on an appropriation of general funds for that purpose. The first \$280,000 is to be used to fund studies by the University System of Maryland (UMS) on the economic impact of the

horse industry in Maryland, the economic impact of State aid to the industry resulting from 1997 legislation, and market survey research and strategies. The marketing portion of the study shall be submitted to the Governor and General Assembly by October 1, 1998. The remainder shall be submitted by December 31, 1998. The Department of Labor, Licensing, and Regulation (DLLR) shall also use \$1.5 million for grants to implement marketing plans, 70% for marketing thoroughbred racing and 30% for marketing harness racing. Grantees must provide matching funds. Up to \$500,000 may be used before the completion of the marketing study by UMS. DLLR must report on the use of the marketing funds to the Senate Budget and Taxation Committee, the House Committee on Ways and Means and the House Appropriations Committee by June 30, 1999.

\$200,000 shall be used to increase Preakness purses; \$20,000 shall be used to market the "Mane Attraction" at Rosecroft; and \$20,000 shall be used to market the 50th Anniversary Celebration at Ocean Downs.

Up to \$6 million distributed to the special fund from the lottery, along with \$2,980,000, shall be used to increase the bred funds and purses. The Maryland-Bred Race Fund shall receive 7.7%, the Standard Bred Race Fund shall receive 3.3%, purses at mile thoroughbred tracks and Timonium shall receive 62.3%, purses at Rosecroft shall receive 22.695%, and purses at Ocean Downs shall receive 4.005%.

This aid may not supplant amounts allocated for purses and bred funds under existing agreements and statute.

State Revenues: General fund lottery revenues are estimated at \$352,701,000 for fiscal 1998. It is unknown whether actual revenues will exceed this estimate. To the extent that revenues do exceed this estimate, up to \$6 million, general fund revenues would decline. While general fund revenues could decline by up to \$6 million under this bill, the fiscal 1998 budget was based on lottery revenues of \$352.7 million.

Small Business Effect: Enhancing purses and breeders funds by up to \$8.0 million (assuming a \$5 million distribution from the lottery) would result in increased income for horse owners and breeders, many of whom are presumed to be small businesses. To the extent that increased purses result in more out-of-state horses racing in Maryland, the increase in income of Maryland owners would be reduced.

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

Fiscal Note History: First Reader - February 23, 1998

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Revised - House Third Reader - April 7, 1998

Revised - Enrolled Bill - May 11, 1998

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