

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

House Bill 104 (Delegate C. Davis)

Ways and Means

Horse Racing - Allocation of Money - Purse Enhancement and Marketing

This bill creates a Special Purse and Bred Fund for purposes of supplementing existing bred funds and increasing purses at harness racing tracks, mile thoroughbred tracks, and Timonium Race Course. The bill requires that \$5 million of State lottery revenues be distributed to the fund. If State lottery revenues do not provide the \$5 million, the Governor may request a deficiency appropriation for the difference during the 2000 session. The bill also directs the expenditure of \$5 million of appropriated aid to the horse racing industry, contingent on funds being included in the fiscal 2000 budget for that purpose.

The bill takes effect July 1, 1999 and sunsets June 30, 2000.

Fiscal Summary

State Effect: General fund lottery revenues would decline by \$5 million with a corresponding increase in special fund revenues of \$5 million in FY 2000. General fund expenditures would increase by \$5 million contingent on an appropriation in the FY 2000 budget for the horse racing industry (the FY 2000 budget as introduced does not include such an allowance).

Local Effect: None.

Small Business Effect: Meaningful.

Fiscal Analysis

Bill Summary: In addition to requiring the distribution of \$5 million of general fund lottery

revenues to the Special Purse and Bred Fund for the horse racing industry, the bill directs the expenditure of \$5 million in aid to the industry, contingent on a general fund appropriation to the Department of Labor, Licensing, and Regulation (DLLR) for that purpose. Of the \$5 million, \$200,000 must be used to increase Preakness purses. In addition, DLLR must use \$1.5 million for grants to implement marketing plans. Grantees must provide matching funds. DLLR must report on the use of marketing funds to the Senate Finance Committee, the Senate Budget and Taxation Committee, the House Ways and Means Committee, and the House Appropriations Committee by June 20, 2000.

The remaining \$3.3 million, along with the \$5 million distributed to the special fund from the lottery, must be used to increase the bred funds and purses. The Maryland-Bred Race Fund shall receive 7.7%, the Standardbred 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.

Background: Chapter 519 of 1998 (HB 837) authorized \$10 million of State funds to support the horse racing industry; \$5 million was distributed from lottery revenues while the other \$5 million was appropriated to DLLR to fund marketing studies, increase purses, and support other racing activities.

State Effect: The bill provides that \$5 million in general fund lottery revenues be distributed to the Special Purse and Bred Fund. The bill specifies that if lottery revenues do not provide the \$5 million, the Governor may request a deficiency appropriation during the 2000 session to make up the difference. It is unclear from the bill what conditions, if any, must be met for the provision of the \$5 million in lottery revenues. In any event, although not specified by the bill, it is assumed that fiscal 2000 general fund lottery revenues will decrease by \$5 million with a corresponding increase in special fund revenues of \$5 million.

Contingent upon an appropriation in the fiscal 2000 budget, general fund expenditures for DLLR could increase by up to \$5 million for expenses relating to the horse racing industry. The proposed fiscal 2000 budget does not include such funds.

Small Business Effect: Enhancing purses and breeders funds by \$8.3 million would result in increased income for the 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): Maryland State Lottery Agency; Department of Labor, Licensing, and Regulation; Department of Legislative Services

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