

Department of Legislative Services

Maryland General Assembly

2001 Session

FISCAL NOTE

Revised

Senate Bill 765

(Senator Bromwell)

Finance and Judicial Proceedings

Ways and Means

Horse Racing - Purse Fund Enhancement

This bill provides for a \$10 million distribution of net fiscal 2001 lottery revenues in excess of \$383,403,000 that would otherwise be distributed to the general fund, to a special fund to increase purses at harness and thoroughbred tracks in the State. If lottery revenues are less than \$10 million, the Governor may request a deficiency appropriation during the 2002 session to make up the difference.

The bill takes effect July 1, 2001 and sunsets June 30, 2002.

Fiscal Summary

State Effect: Unappropriated surplus general fund revenues could decrease by up to \$10 million in FY 2001, or general fund expenditures could increase by \$10 million in FY 2002. Corresponding increase in special fund revenues.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A one-time distribution of \$10 million of net fiscal 2000 lottery revenues in excess of \$366,813,000 (that would otherwise be paid to the general fund) is required to be distributed to a special fund to increase purses at race tracks, supplement existing bred funds, and improve the health and education benefits for eligible persons licensed by the Racing Commission. If lottery revenues are not sufficient to provide the \$10 million,

the Governor may request a general fund deficiency appropriation during the 2001 session to make up the difference.

Background: The horse industry in Maryland employs more than 15,000 people and generates approximately \$600 million annually in direct economic activity for the State. Like other states, Maryland's horse racing industry has lost market share in recent years to other forms of commercial gambling. Some states, including two in this region, have sought to revive their industries by introducing slot machines at the tracks. Maryland has taken other approaches to restructuring its horse racing industry, including subsidizing purses, providing tax relief to the industry, and expanding marketing efforts. Maryland's current payout to betters is, on average, slightly higher than the national median. The State wagering tax is one of the lowest in the country.

Chapter 309 of 2000 mandated a one-time distribution of \$10 million of net fiscal 2000 lottery revenues in excess of \$366,813,000 to increase purses at racetracks and to supplement existing bred funds.

The Maryland Board of Revenue Estimates' December 2000 report estimates total lottery revenues of \$383,403,000 for fiscal 2001.

State Fiscal Effect: If net lottery revenues in excess of \$383,403,000 are distributed to the special horse fund, general fund revenues in fiscal 2001 could decrease by up to \$10 million. If distributions to the special fund are made through a deficiency appropriation, general fund expenditures could increase by up to \$10 million in fiscal 2002. Special fund revenues would increase by a corresponding amount in fiscal 2001 and would be distributed as follows:

Distribution of \$10 million to Purses and to the Bred Funds			
Purses (89%)		Bred Funds (11%)	
Thoroughbred	Harness	Maryland-Bred Race Fund	Maryland Standardbred Race Fund
(70%)	(30%)	(70%)	(30%)
\$6,230,000	\$2,670,000	\$770,000	\$330,000

Additional Information

Prior Introductions: A similar bill was introduced as HB 1055 in the 2000 session. It received an unfavorable report from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Maryland State Lottery Agency, Maryland Racing Commission, Department of Legislative Services

Fiscal Note History: First Reader – March 1, 2001
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