

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 720

(Senator Middleton)

Finance

Ways and Means

Horse Racing - Purses and the Racing Special Fund - Allocation

This emergency bill provides that the cumulative receipts of at least \$1.04 million in the former Racing Facility Redevelopment Bond Fund be distributed to a special fund to be used for purses for the running of the Pimlico Special and for purses at Rosecroft Raceway. The bill requires the Maryland Racing Commission to distribute the funds to purses for the Pimlico Special and Rosecroft Raceway on a proportional basis according to the takeout from mile thoroughbred and Rosecroft Raceway, respectively, racetrack handles in Maryland.

The bill also alters the distribution of specified funds from the horse racing special fund. The bill requires that, after distributions to State and local fairs, purses, local impact aid, and specified agricultural boards the following amounts are distributed annually: (1) \$300,000 to the Maryland-Bred Race Fund (70%) and the Maryland Standardbred Race Fund (30%); and (2) \$260,000 to the Maryland Agricultural Education and Rural Development Assistance Fund (MAERDA), with \$130,000 being allocated to support the operations of the Rural Maryland Council. In addition, after all required distributions are made, the bill requires any money remaining in the horse racing special fund to be split evenly between the MAERDA Fund and the Maryland bred race funds.

Fiscal Summary

State Effect: Special fund (purses) revenue increase of approximately \$1.08 million in FY 2006, and a corresponding increase in expenditures. Special fund (bred race funds) revenue decrease of at least \$260,000 and a corresponding special fund (MAERDA) increase of at least \$260,000 annually, beginning in FY 2006.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$1.08	\$0	\$0	\$0	\$0
SF Expenditure	1.08	0	0	0	0
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill also states the General Assembly's intent that the \$260,000 in distributions for the Rural Maryland Council and the MAERDA Fund supplement, rather than supplant, State general funds.

Current Law: Chapter 97 of 2004 repealed the Maryland Racing Facility Redevelopment Program that was enacted as part of the Racing Act of 2000 (Chapter 309).

The horse racing special fund consists of the State share of daily licensee fees, wagering taxes, impact aid, money from specified uncashed pari-mutuel tickets, and specified permit fees. Currently, any money that remains in the special fund is paid to the two bred funds. The current State wagering tax is 0.32%.

Any funds remaining in the horse racing special fund after the distributions to the State and local fairs, purses, and local impact aid are distributed to the bred race funds.

Background: Chapter 309 of 2000 established the Maryland Racing Facility Redevelopment Program in the State Racing Commission to assist horse racing facilities with capital improvements.

In order to carry out the program, Chapter 309 required the State Racing Commission to review racing facility master plans submitted by eligible racing licensees and submit requests from those licensees to the Stadium Authority for approval to use proceeds from bonds issued by the Maryland Economic Development Corporation (MEDCO) for capital improvements or related expenditures.

Chapter 309 also established the Racing Facility Redevelopment Bond Fund as a nonlapsing revolving fund to be used to: (1) pay the debt service on bonds issued by MEDCO; and (2) cover the reasonable charges and expenditures incurred by the authority and MEDCO.

Thoroughbred and harness licensees were required to pay a specified percentage of the takeout, depending on the size of each mutuel pool, to the Racing Commission for payment into the Racing Facility Redevelopment Bond Fund to be used for debt service on bonds issued for race track improvements. Because no bonds were ever issued, the program was repealed by Chapter 97 and the tax rate was clarified at 0.32% with no deduction to the bond fund beginning in fiscal 2005.

Uncashed pari-mutuel tickets were also deposited in the Racing Facility Redevelopment Bond Fund. Under Chapter 97, these proceeds were dedicated to the horse racing special fund.

The Council for Rural Maryland is part of the Maryland Department of Agriculture. The proposed fiscal 2006 budget includes \$113,554 in general funds and \$81,749 in federal funds for the council. The proposed fiscal 2006 budget contains no funding for MAERDA. The fund had \$146,392 in general funds in fiscal 2004 and 2005.

State Fiscal Effect: The Maryland Racing Commission indicates that \$1,076,089 was paid into the Racing Facility Redevelopment Bond Fund in fiscal 2004. Pursuant to the bill, these funds would be transferred to a special fund created to enhance purses at the Pimlico Special and at Rosecroft Raceway.

As a result of the bill, purses for the Pimlico Special would receive \$940,429 and purses for races at Rosecroft Raceway would receive \$135,660.

Because the bill requires a distribution to the MAERDA Fund of at least \$260,000 of what could otherwise be residual funds directed to the bred funds, bred fund revenues would decrease by at least \$260,000 every year, assuming sufficient revenues remain in the fund. Based on the Governor's proposed budget, the bred funds could lose \$262,015 in fiscal 2006. The amount of any bred fund decrease and MAERDA Fund increase over \$260,000 would depend on the amount remaining in the horse racing special fund after all required distributions.

There is no operational effect on the Maryland Racing Commission.

Small Business Effect: Small businesses that are involved in horse racing could benefit to the extent that they are affected by enhanced purses created by the bill. However, businesses that receive funds or otherwise benefit from distributions from the Maryland bred race fund could be negatively affected by the altered distribution to those funds pursuant to the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 1029 (Delegate C. Davis) – Ways and Means.

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

Fiscal Note History: First Reader - February 25, 2005
mll/rhh Revised - Senate Third Reader - April 6, 2005

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