

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 817

(Senator Della)

Finance

Ways and Means

**Thoroughbred Racing - Restrictions on Night and Sunday Racing - Repeal -
Pimlico Race Course Exception**

This bill repeals the following statutory restrictions that are currently in place for thoroughbred racing in Maryland: (1) thoroughbred racing cannot be held after 6:15 p.m. except under specified circumstances; (2) mile thoroughbred racing may not be held on Sundays unless approved by the Maryland Racing Commission and the racing begins at noon or later; and (3) the Maryland State Fair and Agricultural Society may not hold a race on Sundays, except during the State Fair.

The bill also provides that live racing may not be held at Pimlico Race Course after 10:00 p.m., except under specified circumstances, and that the Maryland Jockey Club must meet with representatives of Baltimore City and neighborhood associations in proximity to Pimlico to discuss lighting and safety issues related to live night racing at the track. A report of the discussions is to be provided to the House Ways and Means and Senate Finance committees by June 15, 2007.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: The bill codifies existing practice and therefore is not expected to alter State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A thoroughbred licensee is prohibited by statute from holding racing after 6:15 p.m. unless: (1) circumstances beyond the control of the licensee cause a delay; or (2) the racing consists of betting on races held at an out-of-state track and the racing is authorized under the provision of current law governing betting on out-of-state races.

Mile thoroughbred racing may not be held on Sundays unless approved by the Maryland Racing Commission and the racing begins at noon or later. The Maryland State Fair and Agricultural Society is prohibited from holding races on Sundays, except during the State Fair.

Background: Currently, most thoroughbred racing in Maryland occurs at Pimlico Race Course in Baltimore City and Laurel Race Track in Anne Arundel County, both owned by Magna Entertainment Corporation and run by the Maryland Jockey Club. All standardbred racing occurs at Rosecroft Raceway in Prince George's County and Ocean Downs in Worcester County, which are independently owned. The State Racing Commission licenses each facility; State law limits the number of licensees. An additional track license was awarded to Allegany Racing in Allegany County, which is owned by the same persons that own Ocean Downs. Allegany Racing has yet to begin construction and most likely will not begin construction unless slot machines are approved and Allegany Racing is designated one of the sites. Ocean Downs has also recently opened an off-track betting (OTB) establishment in Cambridge.

The bill addresses two issues that have affected the horse racing industry for many years: night racing and the revenue sharing agreement between the thoroughbred and standardbred industries.

Historically, thoroughbred racing was conducted during the day and standardbred racing in the evening. This tradition was recognized in law by statute passed in 1984 which provided that thoroughbred racing could not be conducted after 6:15 p.m., with limited exceptions. Two notable exceptions to this custom exist in the Mid-Atlantic region, Charles Town Races and Mountaineer Race Track in West Virginia.

The House Committee on Ways and Means issued a report in December of 2004 that noted that authorizing thoroughbreds to race at night would allow the industry to showcase its product at a time more convenient to the general public. Horse racing remains the only major sport in the United States that continues to be conducted on a regular basis on weekdays during the day. This is a major obstacle to attracting new fans to the sport's declining base. Removing the restriction on nighttime thoroughbred racing

would provide the thoroughbred industry the option of identifying certain seasons or certain nights when night racing would increase on-track attendance.

Since the advent of simulcast wagering in the State, the owners and operators of the State's thoroughbred and harness racing tracks have operated under some type of revenue sharing agreement whereby the amount of money wagered via simulcasting at the various tracks was pooled and then divided among the tracks. Under a revenue sharing agreement that expired in April 2004, from the total revenues realized by the Maryland Jockey Club and Rosecroft Raceway from simulcasting at all the tracks, the Jockey Club received 80% and Rosecroft received 20% of the revenues. Under the agreement, the Jockey Club was also allowed to receive simulcast signals after 6:15 p.m. and Rosecroft was allowed to receive simulcast signals during the day.

After that agreement expired, Rosecroft began paying the Maryland Jockey Club 12% of its revenue received from wagers on thoroughbred signals received at Rosecroft, and the Jockey Club paid Rosecroft 12% of its revenue received from wagers on harness signals received at Laurel and Pimlico.

Effective April 2006, a new 15-year revenue sharing agreement went into effect. Under this agreement, generally (1) the Maryland Jockey Club and Cloverleaf Enterprises (Rosecroft) agree and grant to the other the required authorizations to conduct cross-breed thoroughbred and standardbred simulcast wagering on both Maryland and out-of-state races during the day and evening hours at Laurel, Pimlico, and Rosecroft; (2) Rosecroft agrees to pay the Maryland Jockey Club \$5.9 million annually for the right to accept wagers at Rosecroft on all live races conducted at Pimlico and Laurel and all out-of-state thoroughbred races, provided that Rosecroft continues to receive signals from and accept wagers on substantially all races from the thoroughbred tracks it accepted wagers from in 2005; and (3) each facility will contract for the simulcasting of out-of-state races directly with the sending track and that Maryland racing will be the featured component of each simulcast program. The agreement also provides for the distribution of any future State aid and wagering revenue received from OTBs. The Allegany Racing Association has a separate revenue sharing agreement in effect with the Maryland Jockey Club for Ocean Downs Raceway.

The prohibition on thoroughbred track operations after 6:15 p.m. is still waived as a result of the new revenue sharing agreement. However, the only nighttime racing currently conducted at the State's thoroughbred tracks is conducted via simulcast.

State Fiscal Effect: The repeal of the prohibition against night racing is not expected to have an operational or fiscal effect because the prohibition is currently waived due to the revenue sharing agreement between the Maryland Jockey Club and Rosecroft Raceway. The bill would eliminate the need for an agreement between the thoroughbred and

standardbred industries in order for the thoroughbred industry to operate at night; however, the revenue sharing agreement is in effect until the end of 2021. In addition, the Racing Commission advises that Sunday racing is currently conducted at all the State's race tracks.

The bill is not expected to significantly affect the overall amount that is wagered at Maryland horse racing tracks and, therefore, would not affect the amount of State wagering taxes collected.

Additional Information

Prior Introductions: This bill is identical to SB 98 in 2006. The Senate Finance Committee took no action.

Cross File: None.

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

Fiscal Note History: First Reader - March 14, 2007
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