

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1342
Ways and Means

(Delegate Cardin, *et al.*)

Horse Racing - Bred Fund Supplements

This bill requires the one-time distribution of \$15.0 million of net fiscal 2008 lottery revenues in excess of \$497,111,000 (that would otherwise be paid to the general fund) to a special fund to supplement existing bred funds. If lottery revenues do not provide the \$15.0 million, the Governor may request a deficiency appropriation during the 2009 session to make up the difference.

The bill takes effect June 1, 2008 and terminates June 30, 2009.

Fiscal Summary

State Effect: The \$15 million distribution to the special fund could either reduce general fund revenues in FY 2008 or increase general fund expenditures in FY 2009 if a deficiency appropriation is requested and approved.

Local Effect: None.

Small Business Effect: Potential meaningful. Small businesses involved in the horse racing industry could benefit from bred fund supplements.

Analysis

Bill Summary: All funds provided for bred funds must be in addition to and may not supplant amounts allocated for bred funds under current agreements between the harness racing tracks and the organization that represents a majority of owners and trainers of

standardbred horses in the State and amounts otherwise provided in statute for bred funds at mile thoroughbred racing tracks and Timonium Race Course.

Current Law: State lottery revenues are distributed to the general fund, except for the proceeds from sports lotteries which are conducted for the benefit of the Maryland Stadium Authority and distributed to the Stadium Authority. General fund revenues from the State lottery are estimated to be \$497.1 million in fiscal 2008 per the Board of Revenue Estimates, and the Maryland Stadium Authority is estimated to receive \$21.5 million in lottery revenues in fiscal 2008.

Background:

Recent State Aid to the Racing Industry

In an effort to help the horse racing industry compete with increasing race purses in Delaware and West Virginia, the General Assembly provided \$5 million in purse supplements for the industry in 1997 which came from overattainment of lottery revenues that would have otherwise gone to the general fund. About 70% of the money went to thoroughbred purses and bred funds and 30% to standardbred purses and bred funds.

Annual purse supplements of approximately \$10.0 million were also provided in each of the next three years, bringing the total to about \$35.0 million from 1997-2000.

During the 2000 session, in addition to the purse supplements, the General Assembly established a Maryland Racing Facility Redevelopment Program to assist horse racing facilities with capital improvements.

In 2001, the Senate passed a \$10.0 million purse supplement bill for the industry, but that bill failed in the House Ways and Means Committee. Continued infighting amongst stakeholders of the racing industry led to the bill's failure. In 2002, a provision of the Budget Reconciliation and Financing Act took up to \$3.5 million from the Racing Facility Redevelopment Bond Fund and provided that money to purse and bred fund supplements.

No purse supplements were provided in 2003 or 2004. In addition, despite the legislative efforts to create the Maryland Racing Facility Redevelopment Program, the race tracks never developed capital improvement plans and thus never took advantage of the bond fund; it was subsequently repealed during the 2004 legislative session.

Legislation passed in 2005 (Chapter 410) provided for the distribution of the cumulative receipts of at least \$1.04 million in the former Racing Facility Redevelopment Bond Fund

to a special fund to be used for purses for the running of the Pimlico Special and for purses at Rosecroft Raceway.

2007 Special Session

During the 2007 special session, the General Assembly passed a constitutional amendment authorizing up to 15,000 video lottery terminals (VLTs) at five locations and a bill that establishes the operational and regulatory framework for VLTs, which is contingent on voter approval of the constitutional amendment at the 2008 general election. If approved, 7% of VLT revenues, but not exceeding \$100.0 million, will be dedicated to racing purses and 2.5% annually over an eight-year period, not to exceed \$40.0 million will be dedicated to race track capital improvements. Eighty percent of the purse funds will go to the thoroughbred industry and 20% to the standardbred industry; out of the funds dedicated to each industry, 85% will go to purses while 15% will go to the respective bred funds. Specifically, the following provisions will affect Maryland thoroughbred racing, as a condition of receiving racetrack renewal funds:

- State licensed tracks must maintain a specified minimum number of racing days; Laurel and Pimlico must maintain a combined minimum of 220 live racing days and Pimlico must be awarded at least 40 days;
- if a VLT licensee also holds a racing license and the licensee owns the Preakness, the Preakness must remain in Maryland and, with certain exceptions, must run the Preakness at Pimlico Race Course;
- if a VLT machine license is awarded to the owners of Laurel Park, that license will be revoked if the Preakness is moved outside of the State;
- the license holder for Laurel Park must continue to permit the Maryland Million to run at Laurel Park; and
- racing licensees must submit quality improvement and marketing plans to the Racing Commission and provide at least \$1.5 million of annual maintenance and improvements.

State Fiscal Effect: If fiscal 2008 net lottery revenues exceed \$497.1 million, general fund revenues in fiscal 2008 could decrease by up to \$15.0 million and would be distributed to the special fund. To the extent lottery revenues do not exceed \$497.1 million by \$15.0 million, general fund expenditures could increase by up to \$15.0 million in fiscal 2009 for a deficiency appropriation to make up the difference. Special fund revenues would increase by a corresponding amount in fiscal 2008 or 2009 and would be distributed as follows:

Distribution of \$15 Million to Bred Funds

Bred Funds
\$15,000,000

**Maryland-Bred
Race Fund**

80%
\$12,000,000

**Maryland Standardbred
Race Fund**

20%
\$3,000,000

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mcp/rhh

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