

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1506
Ways and Means

(Delegate Walker, *et al.*)

Finance

Task Force to Study Thoroughbred Horse Racing at Rosecroft Raceway

This bill establishes a Task Force to Study Thoroughbred Horse Racing at Rosecroft Raceway, staffed by the Department of Labor, Licensing, and Regulation, to study the feasibility of conducting thoroughbred horse racing at Rosecroft Raceway and to make recommendations regarding the future of Rosecroft Raceway. The task force is required to submit a report of its findings and recommendations to the Governor and the General Assembly by December 31, 2008.

The bill takes effect June 1, 2008 and terminates December 31, 2008.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DLLR are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: Currently, most horse racing in Maryland occurs at Pimlico in Baltimore City and Laurel Race Track in Anne Arundel County, which are thoroughbred tracks run by the Maryland Jockey Club. All standardbred racing occurs at Rosecroft in Prince

George's County and Ocean Downs in Worcester County, which are independently owned. Limited racing also occurs at Timonium and Fair Hill. The State Racing Commission licenses each facility, and 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 unless slot machines are approved with Allegany Racing as one of the designated sites.

Maryland was plagued for many years by industry infighting among track owners, horse breeders and owners, and horsemen. An issue that significantly affected the industry for many years was a revenue sharing agreement between the Maryland Jockey Club and Rosecroft. The two parties recently signed a 15-year agreement whereby, out of the revenues realized by both groups, the Jockey Club receives 80% and Rosecroft receives 20%. The agreement also eliminated the "6:15" rule that prevented any evening and night racing at Laurel or Pimlico racetracks, and in return Rosecroft may conduct racing during the day. Legislation was enacted in 2007 that formally repealed the "6:15" rule.

In mid-2002, the owners of Rosecroft Raceway decided to sell the harness track. As a result of multiple potential buyers, the owners of Rosecroft were involved in several civil suits. Eventually, all of Rosecroft's litigation issues were resolved, and in 2006 Rosecroft officials reported that the racetrack was not for sale, unless an extraordinary bidder emerged. In 2007, Penn National, a nationwide gaming company based in Pennsylvania, offered to purchase Rosecroft from Cloverleaf Enterprises. As part of its purchase agreement, Penn National, which also owns Charles Town Races and Slots in West Virginia, agreed to:

- pay purses of \$6.5 million for the first three years of a six-year period;
- pay purses of \$5.5 million for years four through six of the period; and
- conduct not less than 100 live racing days a year.

The purchase was approved by the Maryland Racing Commission. Penn National, however, terminated the agreement in November 2007 when Rosecroft was not included as a site for video lottery terminals under the constitutional amendment (Chapter 5) enacted at the 2007 special session and subject to voter approval at the general election in November 2008. As reported in the *Washington Post*, Rosecroft will continue operating the racetrack, which is operating at a loss, while it seeks another buyer.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 18, 2008
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