

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 864 (Senator Muse)
Finance

Horse Racing - Satellite Simulcast Betting - Instant Racing

This bill adds “instant racing” to the approved forms of pari-mutuel satellite simulcast betting.

Fiscal Summary

State Effect: Potential significant increase in special fund revenues from racing taxes beginning in FY 2010. The amount of the increase depends on the total amount of wagering on instant racing. Expenditures are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: Instant racing is defined as a form of pari-mutuel wagering in which (1) a bettor uses handicapping skills to evaluate data provided for a previously run horse race displayed on a self-serve totalizator machine; (2) the totalizator machine shows the bettor the previously run horse race in digitized form, concealing from the bettor the identification of the race and its participants; and (3) when the race is over, the totalizator machine reveals the previously concealed information and the win, place, and show finishers.

Current Law: Satellite simulcast betting is (1) pari-mutuel betting at a satellite simulcast facility in the State on a race that is simulcast from a sending track by a mile thoroughbred racing licensee, a harness racing licensee, or the State Fair Society; and (2) transmission of the pari-mutuel information regarding bets at the satellite simulcast facility to the sending track.

Background: In Maryland, pari-mutuel wagering is permitted on thoroughbred, standardbred (harness), and steeplechase races. Maryland has two mile-thoroughbred race tracks: Laurel Park in Anne Arundel County and Pimlico Race Course in Baltimore City. Both thoroughbred tracks are owned by the Maryland Jockey Club (MJC), a subsidiary of Magna Entertainment Corporation. Magna Entertainment acquired a controlling interest in MJC in 2002 and exercised an option to acquire the remaining interest in MJC in November 2007. In addition to races held at Laurel Park and Pimlico Race Course, special thoroughbred racing is held during the Maryland State Fair in Timonium. The Allegany Racing Association was issued a mile-thoroughbred track license in 2001 for a track in Allegany County; however, a track has yet to be built.

Maryland has two harness race tracks: Rosecroft Raceway in Prince George's County and Ocean Downs in Worcester County. Rosecroft Raceway is owned by Cloverleaf Enterprises, Inc., a subsidiary of the Cloverleaf Standardbred Owner's Association. The track ceased live racing during the spring of 2008 and does not expect to resume live racing until the fall of 2010. Ocean Downs is owned by Ocean Downs LLC, which acquired the track from Bally's Maryland, Inc. in 2001.

Maryland also has one steeplechase race course at which pari-mutuel wagering is permitted: Fair Hill in Cecil County. Steeplechase races are held at Fair Hill during a one-day race meeting each year.

In addition to betting on live races, an individual may bet on races simulcast from around the country to any of the State tracks or several off-track betting facilities (OTBs). Maryland has four OTBs: the Cracked Claw in Frederick County, NorthEast Racing and Sports Club in Cecil County, the Cambridge Turf Club in Dorchester County, and the Riverboat on the Potomac in Charles County.

Betting on out-of-state races now accounts for a significant majority of all wagering conducted at State tracks. As **Exhibit 1** shows, simulcast betting on out-of-state races accounted for 84% of all betting at Maryland's thoroughbred and harness tracks during 2007.

Handle refers to the total money bet, either in terms of one day or total meet. The State wagering tax is 0.32% of the handle.

Revenue from racing taxes is credited to a special fund, along with license and permit fees, certain uncashed pari-mutuel tickets, and other racing related fees. This special fund is used for several statutory grants, including for the Maryland Agricultural Fair Board and the Maryland Million race. Impact aid to Baltimore City; Anne Arundel, Baltimore, Howard, and Prince George's counties; and the cities of Bowie and Laurel, is also paid from this fund based on the number of racing days held at each track; this impact aid is provided to assist with services and facilities for communities within two miles of the race tracks and the Bowie Training Center. After all required distributions are made from the special fund, \$300,000 must be distributed to the Maryland bred funds – 70% to the Maryland-Bred Race Fund and 30% to the Maryland Standardbred Fund; and \$260,000 is to be distributed to the Maryland Agricultural Education and Rural Development Assistance Fund.

In Maryland, wagering on horse races is also permitted through approved telephone account betting systems, which allow an individual to place bets by telephone or other electronic means. Telephone account betting systems provide opportunities to bet on horse races held in Maryland and in other states that permit interstate wagering. The commission adopted regulations authorizing telephone account betting systems in 2000.

Exhibit 1
Wagering at Maryland Race Tracks
Calendar 2007

<u>Track</u>	<u>Total Betting at Track</u>	<u>Betting on Out-of-state Races</u>	<u>Percentage of Total Wagering on Out-of-state Races</u>
Laurel	\$153,482,531	\$127,312,028	83%
Pimlico	103,862,604	84,131,719	81%
Timonium	2,084,295	885,211	42%
Rosecroft	97,478,956	88,680,723	91%
Ocean Downs	20,147,163	16,674,221	83%
Total	\$377,055,549	\$317,683,902	84%

Source: State Racing Commission, 2007 Annual Report

The Maryland Racing Commission received a request from Rosecroft Raceway in the fall of 2008 to permit instant racing at the track. The racing commission sought an opinion from the Attorney General as to whether this form of wagering is permissible under current law. On March 17, 2009, the Attorney General issued an opinion (94 *Opinions of the Attorney General* (2009)) that instant racing is not permitted at race tracks or satellite simulcast betting facilities under current law because it does not constitute pari-mutuel

betting, as authorized by the Maryland Horse Racing Act. Rosecroft Raceway is currently operating as a simulcast only facility.

Currently there is one track in the country – Oaklawn Park, in Hot Springs, Arkansas – that operates instant racing. During calendar 2007 the track operated 357 instant racing machines and reported a handle of \$225 million.

State Fiscal Effect: Special fund revenues increase beginning in fiscal 2010 to the extent instant racing is authorized and operated in Maryland. The amount of the increase depends on the number of machines operated, the handle generated from instant racing machines, and the effect instant racing machines have on wagering on live or simulcast racing, none of which can be reliably estimated at this time.

However, *for illustrative purposes only*, if the handle from instant racing machines is \$225 million (as it was in Arkansas in 2007), and there is no adverse effect on wagering on live or simulcast racing, special fund revenues will increase by \$720,000.

Additional Information

Prior Introductions: None.

Cross File: None identified; however, HB 799 is an identical bill.

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

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