

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 557
Ways and Means

(Delegates Hubbard and Valentino-Smith)

Horse Racing - Bowie Race Course Training Center - Ownership Transfer

This bill authorizes the owner of the Bowie Race Course Training Center to convey the property associated with the training center to the State as preserved land under Program Open Space (POS).

Fiscal Summary

State Effect: Potentially significant increase in State expenditures to the extent the Bowie Race Course Training Center is conveyed to the State and the State continues to operate the training center. Revenues are not affected.

Local Effect: None.

Small Business Effect: Potential meaningful. To the extent the training center is no longer operated, trainers and other workers may have to relocate to another facility, depending on the future use of the training center facility.

Analysis

Current Law: The owner of the Bowie Race Course Training Center must operate the center as a thoroughbred training facility to provide more stall space for a race meeting that a licensee holds. The owner of the center is responsible for the cost to improve, maintain, and operate the center.

As long as the center is used for its specified purposes, the State Racing Commission has general regulatory jurisdiction over the center to (1) provide enough stalls; (2) maintain

safe operating conditions; (3) require the owner of the center to submit an annual operating financial statement; and (4) order reasonable improvements.

Background: The Bowie Race Course Training Center is jointly owned by the Maryland Jockey Club and Laurel Racing Association, which are jointly owned by Magna International Development (MID) (51%) and Penn National Gaming (49%). The reported operating costs of the training center are between \$2.0 million and \$2.5 million per year. MID and Penn National also own Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County, which are operated by the Maryland Jockey Club and Laurel Racing Association, respectively.

There are approximately 600 horses currently stabled at the center with between 150 and 200 individuals taking care of them.

Horse racing is financed by the receipts from controlled legalized gambling on horses and is subject to extensive regulation. Since 1920, the State Racing Commission has regulated horse racing in the State and sought to protect and promote the public interest in all matters pertaining to horse racing and wagering.

The commission is responsible for regulating, with few exceptions, the conduct of all pari-mutuel wagering and other aspects of horse racing in the State. The commission (1) approves racing dates; (2) approves specific types of wagering and collects wagering taxes; (3) regulates the size of the purse and stake and the price of admission; (4) regulates the charge made for an article or service sold at the meets; and (5) operates a drug testing laboratory to protect the integrity of horse racing for the benefit of the betting public and competing jockeys.

Each individual, association, or corporation involved with horse racing must be licensed by the commission. The commission may suspend or revoke the license of a person engaged in racing within the State who violates the racing laws or commission rules and regulations.

The commission licenses owners, trainers, assistant trainers, jockeys, veterinarians, farriers, stable employees, mutuel employees, track employees, vendors, caterer employees, and maintenance employees. Any person engaged in racing in Maryland under an assumed name must register with the commission for permission to use the name.

POS, established in 1969 and administered by the Department of Natural Resources, provides funds for State and local conservation acquisitions and development of public outdoor recreational sites, facilities, and open space. The State share focuses on the acquisition of land for natural resource conservation with the inclusion of low-impact

recreational activities where appropriate. The local jurisdictions' share is used primarily for the acquisition and development of high-impact recreational sites and facilities. As of January 6, 2011, the State share had preserved 309,234 acres and the local share had preserved 44,454 acres. While bond funds were provided most recently, POS is principally funded through special funds derived from the State's transfer tax, which imposes a 0.5% tax on all real property recorded in the State.

State Fiscal Effect: If the property is conveyed to the State under POS, as authorized by the bill, the State may be required to continue to operate the training center. As a result, general fund expenditures needed to operate the facility may increase by approximately \$2.5 million annually, based on currently reported operating costs. However, if the bill is interpreted to no longer require the property to be operated as a training center, there will be no effect on State finances, other than the possible purchase of the property through POS. The bill authorizes the owners of the property (MID and Penn National) to convey the property to the State, rather than sell it outright; at this time, the means through which a conveyance of the property would be accomplished is unclear. The fiscal 2012 capital budget includes \$2,347,000 in general obligation bonds for POS State land acquisition.

At this time, there are no known plans to sell the training center.

Additional Information

Prior Introductions: None.

Cross File: SB 491 (Senator Peters) - Finance.

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

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