

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 369
Ways and Means

(Delegate F. Turner)

Horse Racing - Maryland-Bred Race Fund - Administration

This bill authorizes a portion of the Maryland-Bred Race Fund to be allocated to breeder bonuses for horses that are conceived, but not necessarily foaled, in the State. The bill alters the amount of the fund to be allocated by the State Racing Commission for Maryland-Bred Fund races. The State Racing Commission must set the amount of specified breeder awards for races both in the State and outside the State.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: None. The bill does not alter the amount of money in the Maryland-Bred Race Fund, but rather how the money in the fund may be allocated.

Local Effect: None.

Small Business Effect: Potential meaningful. Breeders may benefit from the reallocation of bred fund revenues.

Analysis

Current Law: On recommendation of the Maryland-Bred Race Fund Advisory Committee, the State Racing Commission may allocate up to 5% of the fund to races that are restricted to horses conceived, but not necessarily foaled, in the State.

In addition, the commission must set (1) the number of Fund Races; (2) the amount of each purse; (3) the date of each Fund Race; (4) the location of each Fund Race held

outside the State; (5) the distance of each Fund Race; (6) each breeder's award; and (7) any other condition needed to carry out the purpose of a Fund Race.

Chapter 4 of the 2007 special session allocated 7% of gross video lottery terminal (VLT) proceeds to the Purse Dedication Account to enhance horse racing purses and funds for the horse breeding industry, not to exceed \$100 million annually. Of the amount in the fund, 80% is distributed to the thoroughbred industry and 20% is distributed to the standardbred industry. Of the amount that is distributed the thoroughbred industry, 11% is dedicated to the Maryland-Bred Race Fund.

Background: The General Assembly created the Maryland-Bred Race Fund in 1962. The fund consists primarily of revenue from the percentage of the takeout from all horse races held by thoroughbred tracks. The fund is then apportioned among purses for stakes races for Maryland-bred horses and awards given to the owners and breeders. In order to be a registered Maryland-bred horse eligible for the awards, a horse must be foaled (born) in Maryland. Additionally, the horse must meet one of the following requirements: the breeder of the horse must reside in Maryland for more than nine months before the registration; the horse must be conceived in Maryland in the previous season; or the horse's dam must have been sent to Maryland to foal and after foaling was covered by a Maryland stallion during the season of the horse's birth.

Owner awards are paid when Maryland-bred horses win races other than stakes races and certain other races. Breeder awards and stallion awards are paid when a Maryland-bred horse wins or places in any stakes race in the State. Finally, yearling show bonus awards are given to the four highest winning two-year-olds and three-year-olds shown at the annual Maryland Horse Breeders Association show.

Of the revenues collected in the fund, approximately 55% is designated for purses and owner awards, and 45% is allocated to breeder and stallion awards. Breeder awards are twice the amount of stallion awards and range from 4% to 16% of the earner's share of the purse for the breeder and from 2% to 8% of the earner's share of the purse for the stallion owner. Owner awards are usually between 10% and 16% of the winner's share of the purse and are paid when a registered Maryland-bred horse wins a race other than a stakes race. The specific amount of the award is calculated at the end of each race meeting based on 1.1% of the total mutual handle dependent on the number of Maryland-breds earning bonuses.

The fiscal 2012 State budget includes \$27.8 million for the Purse Dedication Account. Based on the amount of money projected for the Purse Dedication Account, the Maryland-Bred Race Fund should receive approximately \$2.4 million in fiscal 2012.

Additional Information

Prior Introductions: None.

Cross File: SB 524 (Senator Astle, *et al.*) - Finance.

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

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mlm/rhh

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