

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 597

(Chair, Ways and Means Committee)(By Request -
Departmental - Labor, Licensing and Regulation)

Ways and Means

Finance

**Horse Racing - Mile Thoroughbred Racetracks - Payment of Taxes and Impact
Aid and Arabian Breed Racing Authorization**

This emergency departmental bill extends the time period within which a mile thoroughbred licensee must pay specified pari-mutuel racing taxes to the Maryland Racing Commission from 7 to 10 days after each racing day. The bill also extends the time period, from 3 to 10 days, within which a mile thoroughbred licensee that operates a sending track must pay to the Maryland Racing Commission \$1,000 of the impact aid to be paid to specified political subdivisions for each day of intertrack betting. Finally, the bill authorizes Arabian breed races to be conducted at Pimlico Race Course, provided specified conditions are met.

Fiscal Summary

State Effect: None. The bill does not materially affect State operations or finances.

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill authorizes Pimlico Race Course to conduct live racing of Arabian breed horses if: (1) no more than one Arabian breed race is conducted per day;

(2) no more than three Arabian breed races are conducted during a race meet; (3) an Arabian breed race is conducted in addition to, and not in place of, an existing thoroughbred race; (4) an Arabian breed race does not reduce the number of thoroughbred races conducted by the licensee per racing day; (5) the purse for an Arabian breed race is not funded by the Thoroughbred Purse Account and is funded by the licensee or the sponsor of the Arabian horse race; (6) the takeout provisions related to thoroughbred racing are applied to the race; (7) the licensee pays all taxes and fees associated with the Arabian breed race that would otherwise be due on a thoroughbred race; and (8) the Arabian breed race is approved by the Maryland Racing Commission.

An Arabian breed horse is a horse that is a purebred Arabian breed horse and has a valid certificate of registry with the Arabian Jockey Club of America.

Current Law: Mile thoroughbred licensees are required to pay pari-mutuel racing taxes to the Maryland Racing Commission within seven days of each racing day.

A mile thoroughbred licensee that operates a sending track must pay to the Maryland Racing Commission within three days \$1,000 of the impact aid to be paid to specified political subdivisions for each day of intertrack betting.

Background: The most recent legislative audit (August 2011) of the Maryland Racing Commission determined that pari-mutuel taxes and local impact aid were not being paid by mile thoroughbred licensees within the required timeframes. The commission has determined that increasing the time period within which taxes are to be remitted is a practical solution to resolve the issue.

The State wagering tax is 0.32%, imposed on the pari-mutuel handle for each racing day. The fiscal 2013 State budget assumes approximately \$900,000 in racing tax revenues.

Horse racing impact aid consists of grants to counties and municipalities that contain or are located close to thoroughbred tracks. The aid has been in place since 1975 and is derived, in part, from the collection of the tax on wagering. The amounts granted to each jurisdiction are mandated by statute and are largely based on the number of racing days held each year. In the past few years, despite cost containment reductions, the revenues have been insufficient to fulfill the expected allocation to each jurisdiction and to the other mandated uses of the special fund. This is primarily due to the reduction in racing days in recent years.

Exhibit 1 demonstrates the extent of the funding problem. The exhibit shows each of the mandated uses of the horse racing special fund. The mandates total over \$3.5 million. However, expected revenues into the fund total approximately \$2.7 million. It should be

noted that the agriculture boards and fair funds are budgeted in the Maryland Department of Agriculture.

The fiscal 2013 budget bill includes contingent reduction language to the department's allowance that reduces horse racing impact aid by \$720,800. The reduction is contingent upon the enactment of a provision in the Budget Reconciliation and Financing Act of 2012 which provides that the Governor is not required to fund any mandates above the amount that was budgeted in fiscal 2012. As shown in Exhibit 1, there is an anticipated shortfall in fiscal 2013 revenues of \$900,800.

Exhibit 1
Horse Racing Special Fund – Mandated Uses
Fiscal 2013

Agriculture and Fairs

Great Pocomoke Fair	\$20,000
Great Frederick Fair	40,000
Agriculture Education Foundation	75,000
Agriculture Fair Board	825,000
Maryland State Fair and Agriculture Society	500,000
Maryland Million	500,000
Standardbred Race Fund Sire Stakes	350,000
<i>Subtotal</i>	<i>\$2,310,000</i>

Impact Aid

Anne Arundel County	\$339,000
Baltimore County	50,000
Howard County	84,750
Prince George's County	100,000
Baltimore City	609,000
Bowie	18,200
Laurel	50,850
<i>Subtotal</i>	<i>\$1,251,800</i>

Total Expenditures	\$3,561,800
Estimated Revenues Fiscal 2013	\$2,661,000

Source: Governor's Budget Books, Fiscal 2013

The Maryland Racing Commission advises that the bill will allow Pimlico Race Course to conduct a live Arabian breed race during the weekend of the Preakness Stakes as part of a marketing and sponsorship agreement. Arabian breed racing was previously authorized by Chapter 773 of 1989; this authorization expired July 1, 1990.

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 11, 2012
ncs/jrb Revised - House Third Reader - March 28, 2012
Revised - Updated Budget Information - May 16, 2012

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Horse Racing – Mile Thoroughbred Racetracks – Payment of Taxes and Impact Aid

BILL NUMBER: HB 597

PREPARED BY: Department of Labor, Licensing and Regulation

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.