SB 961

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 961 (Senator Peters)
Finance Ways and Means

Horse Racing - Special Takeout

This bill authorizes a racetrack licensee to offer specific wagers under regulations adopted by the State Racing Commission, and from these wagers a licensee is required to deduct specified amounts from the handle. A licensee is authorized to offer these wagers only with the consent of (1) the State Racing Commission; (2) the group that represents a majority of the owners and trainers licensed in the State; and (3) the group that represents a majority of breeders in the State.

The bill takes effect June 1, 2013.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A racetrack licensee must deduct from the handle: (1) all the breakage; (2) not more than 18% from each regular mutuel pool; (3) not more than 21% from each multiple mutuel pool on two horses; and (4) not more than 25.75% from each multiple mutuel pool on three or more horses.

Background: After many years of disagreements on revenue sharing, number of racing days, and other issues, the Maryland Jockey Club, the Maryland Thoroughbred

Horsemen's Association, and the Maryland Horse Breeders Association reached a 10-year agreement in December 2012 that will guarantee the continuation of racing at the thoroughbred tracks.

The agreement follows a temporary solution reached in 2010 that ensured continued racing due to an operating subsidy provided to the racetracks. The subsidy was provided out of the video lottery terminal (VLT) proceeds dedicated to racetrack capital improvements.

Now that purse enhancements and racetrack renewal funds are growing as a result of the VLT facilities operating in the State, the industry has become secure enough to commit to the 10-year agreement. The agreement provides that the Maryland Jockey Club, which operates the primary thoroughbred tracks in the State, will agree to a guaranteed 146 days of racing in 2013 and at least 100 days of racing in each subsequent year. The agreement allows the Maryland Thoroughbred Horsemen's Association to buy additional days of racing each year. Additionally, the Jockey Club has also agreed to maintain a minimum of 1,900 stalls year-round for racing, training, and stabling of horses. The agreement provides for the closing of the Bowie Race Course Training Center by the end of 2013.

The agreement also addressed revenue sharing. The parties agreed to a distribution of the revenues from the pari-mutuel handle on site and at off-track betting facilities. Also, the parties agreed to a two-year agreement allowing for cross-breed simulcasts between the thoroughbred tracks and Rosecroft Raceway harness track. The agreement also provides for establishing a new "exotic" wager with a takeout rate of 40%, pending legislative and Racing Commission approval.

The uncertainty that was eliminated, due to the 10-year agreement, has allowed the tracks to begin to plan for capital improvements. To that end, the owners of the State's thoroughbred tracks and the owner of Ocean Downs harness track have submitted preliminary capital improvement plans to the State Racing Commission. These submissions will allow the tracks to have access to racetrack redevelopment funds that are derived from VLT revenues.

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 13, 2013
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