

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

House Bill 180

(Delegate Turner, *et al.*)

Ways and Means

Budget and Taxation

Video Lottery Terminal Revenues - Purse Dedication Account - Standardbred
Racetrack Operating Loss Assistance

This bill extends through calendar 2019 a distribution of up to \$1.2 million annually from the Purse Dedication Account (PDA) to each of Ocean Downs Race Course and Rosecroft Raceway for financial assistance for operating losses, in accordance with generally accepted accounting principles, to support a minimum of 40 live racing days each year.

Fiscal Summary

State Effect: No overall impact on State finances. Distribution of up to \$1.2 million to Ocean Downs Race Course and up to \$1.2 million to Rosecroft Raceway from PDA for racetrack financial assistance continues through calendar 2019.

Local Effect: None.

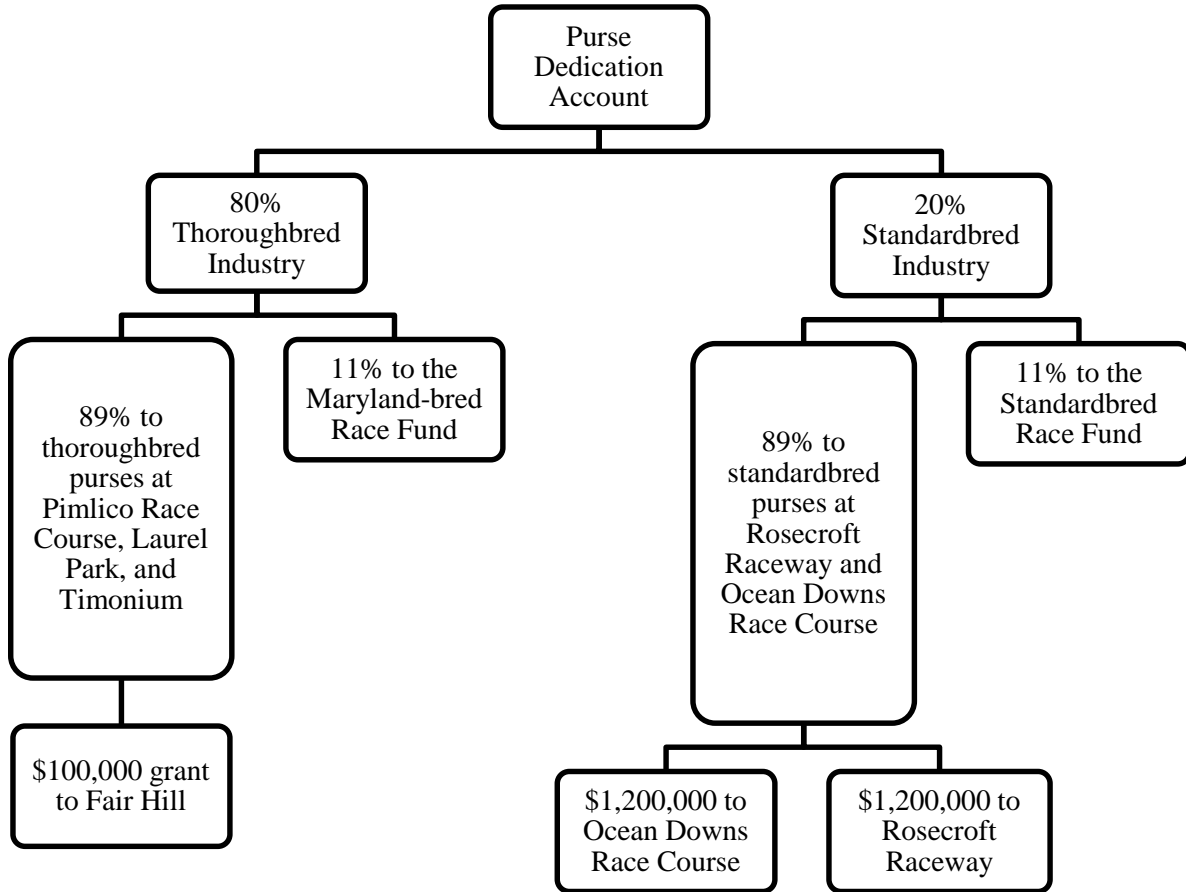
Small Business Effect: Potential minimal. Small businesses that receive standardbred purses may receive less in purses as a result of funds within PDA being redirected to financial assistance for Ocean Downs Race Course and Rosecroft Raceway.

Analysis

Current Law/Background: Generally, 7% of video lottery terminal (VLT) proceeds, not to exceed \$100 million, is distributed to PDA, which is under the authority of the State Racing Commission. Once the casino in Prince George's County opens in fiscal 2017, the percentage of VLT proceeds allocated to PDA is reduced to 6%.

Exhibit 1 shows how funds in PDA are distributed. The State Racing Commission must allocate 80% of the funds in PDA to the thoroughbred industry and 20% to the standardbred industry. Of those amounts, 89% goes directly to purses and 11% to the respective bred race funds.

**Exhibit 1
Distribution of Funds within the Purse Dedication Account**



Source: Department of Legislative Services

Of the amount that goes to standardbred purses, up to \$1.2 million may be used for Ocean Downs Race Course to provide operating assistance to support a minimum of 40 annual live racing days for calendar years 2012 through 2015, unless the racing licensee is prevented by weather, acts of God, or other circumstances beyond the racing licensee's control. An additional \$1.2 million from standardbred purses may be provided to Rosecroft Raceway to provide operating assistance to support a minimum of 40 annual live racing days for calendar years 2012 through 2015, unless the racing licensee is prevented

by weather, acts of God, or other circumstances beyond the racing licensee's control. Ocean Downs Race Course and Rosecroft Raceway may not use these funds to contribute to a specified campaign finance entity or make a specified election-related independent expenditure.

In order to obtain operating assistance, Rosecroft Raceway must (1) agree to hire back workers employed at the facility prior to the end of live racing on June 27, 2008, and (2) recognize collective bargaining agreements that were in place as of June 1, 2008.

Upon completion of review by a certified public accountant, the Department of Labor, Licensing, and Regulation (DLLR) may authorize the reimbursement of expenditures by the racing licensee that are necessary to conduct the live racing schedule. All costs associated with the racing licensee's application must be paid by the racing licensee. In support of the racing licensee's application and request for reimbursement, the racing licensee must provide monthly financial information and an annual audited financial statement to DLLR.

Expenditures eligible for reimbursement must include the ordinary and reasonable costs of conducting the race meetings, pari-mutuel wagering, and stabling activities of the racing licensee, net of ordinary income and receipts. The reimbursement calculation may not include (1) extraordinary income and expense-related items, including extraordinary litigation expenses; (2) lobbying fees; (3) capital investments, including predevelopment costs; or (4) prior-year adjustments and claims.

Racing licensees may not receive assistance while the racing licensee is a party to a proceeding challenging the issuance or denial of a video lottery operation license.

State Fiscal Effect: The bill has no overall impact on State finances. The bill extends the annual distribution of up to \$1.2 million from the standardbred purses of PDA to each of Ocean Downs Race Course and Rosecroft Raceway for financial assistance through calendar 2019 and specifies the assistance is for operating losses. However, the bill does not alter the overall amount of revenue distributed to the funds within PDA. **Exhibit 2** shows the estimated distribution of PDA revenues for fiscal 2015 through 2020.

Exhibit 2
Estimated Distribution of Funds within PDA
Fiscal 2015-2020
(\$ in Millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Maryland-bred Race Fund	\$4.1	\$4.3	\$5.7	\$6.0	\$6.0	\$6.1
Thoroughbred Purses	33.1	34.9	45.8	48.2	48.9	49.6
Standardbred Race Fund	1.0	1.1	1.4	1.5	1.5	1.5
Standardbred Purses	8.3	8.7	11.4	12.1	12.2	12.4
Total PDA Funds	\$46.5	\$49.1	\$64.3	\$67.8	\$68.7	\$69.7

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: SB 182 (Senator King, *et al.*) - Budget and Taxation.

Information Source(s): Maryland State Lottery and Gaming Control Agency; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2015
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