

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 965
 Ways and Means

(Delegate Walker, *et al.*)

Finance

The Maryland International and Preakness Stakes Incentive Act of 2016

This bill establishes the Maryland International thoroughbred race to be conducted by a licensee at Laurel Park, subject to the approval of the Maryland Racing Commission (MRC). Additionally, from the State Lottery Fund, the Comptroller must annually distribute \$1.0 million to the horse racing special fund to fund (1) a purse for the Maryland International thoroughbred race; (2) a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes; and (3) grants to the Maryland Office of Sports Marketing and the Maryland Humanities Council.

The bill takes effect July 1, 2016, and terminates June 30, 2019.

Fiscal Summary

State Effect: General fund revenues from the State Lottery Fund decrease by \$1.0 million annually from FY 2017 through 2019 due to the bill’s redirection of funds. Thus, horse racing special fund revenues increase by \$1.0 million annually from FY 2017 through 2019. Horse racing special fund expenditures increase by \$500,000 in FY 2017 and by \$650,000 annually in FY 2018 and 2019. Special fund expenditures by the Maryland Stadium Authority increase by \$350,000 annually in FY 2018 and 2019. **This bill establishes mandated appropriations in FY 2018 and 2019.**

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$1.0)	(\$1.0)	(\$1.0)	\$0	\$0
SF Revenue	\$1.0	\$1.0	\$1.0	\$0	\$0
SF Expenditure	\$0.5	\$1.0	\$1.0	\$0	\$0
Net Effect	(\$0.5)	(\$1.0)	(\$1.0)	\$0.0	\$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal. Small businesses in the thoroughbred racing industry may benefit from the Maryland International thoroughbred race in FY 2018 and 2019 and from bonus awards to specified Maryland-bred or Maryland-sired horses in FY 2017.

Analysis

Bill Summary: The Maryland International is a grade 1 stakes race run on a turf track, and the purse for the race must be funded by the horse racing special fund. The licensee may make the State Lottery and Gaming Control Agency a sponsor of the race.

In fiscal 2017, the horse racing special fund must distribute \$500,000 to MRC for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes. MRC must consult with thoroughbred racing industry representatives prior to establishing the rules and criteria for the bonus award program, and if funds remain in the program after the Preakness Stakes is conducted, the remaining funds must carry over to the next fiscal year and may not revert to the general fund.

From the horse racing special fund, beginning July 1, 2017, \$500,000 is distributed to a Maryland International thoroughbred purse, \$350,000 is distributed to the Maryland Office of Sports Marketing in the Maryland Stadium Authority for incentive grants for youth and amateur sporting events, and \$150,000 is distributed to the Maryland Humanities Council for Maryland History Day and other programming.

Current Law: Live thoroughbred horse racing is authorized at Laurel Park and Pimlico Race Course.

The Maryland-Bred Race 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: (1) the breeder of the horse must reside in Maryland for more than nine months before the registration; (2) the breeder of the horse keeps breeding stock continually in Maryland; (3) the horse must be conceived in Maryland in the previous season; or (4) 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.

Horse Racing Special Fund

The horse racing special fund consists of the State share of daily licensee fees, wagering taxes, impact aid, money from specified uncashed pari-mutuel tickets, and specified permit

fees. Distributions from the special fund are made to State and local fairs, purses, local impact aid, and specified agricultural boards.

The State Lottery Fund

Each month, after payments to lottery winners and agents and to the State Lottery for operating expenses, the Comptroller must make payments from the State Lottery Fund to:

- the Maryland Stadium Facilities Fund (an amount not to exceed \$20 million in any fiscal year);
- the Baltimore City Public School Construction Financing Fund (an amount equal to \$20 million in each fiscal year that bonds are outstanding); and
- the State's general fund.

Additionally, the Comptroller must deposit 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by veterans' organizations into the Maryland Veterans Trust Fund.

State Revenues: By redirecting \$1.0 million from the State Lottery Fund to the horse racing special fund, the bill results in a \$1.0 million decrease in general fund revenues and a corresponding increase in revenues to the horse racing special fund annually from fiscal 2017 through 2019.

Authorizing the Maryland International thoroughbred race is not expected to impact revenues as it would simply replace another scheduled race day.

State Expenditures: Special fund expenditures from the horse racing special fund increase by \$500,000 in fiscal 2017 for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes. In fiscal 2018 and 2019, special fund expenditures increase by \$1.0 million annually to distribute \$500,000 to a Maryland International thoroughbred purse, \$350,000 to the Maryland Office of Sports Marketing in the Maryland Stadium Authority for incentive grants for youth and amateur sporting events, and \$150,000 to the Maryland Humanities Council for Maryland History Day and other programming.

MRC can oversee the Maryland International thoroughbred race with existing resources.

Additional Comments: The bill redirects \$1.0 million from the State Lottery Fund to the horse racing special fund in fiscal 2017, but it only specifies how \$500,000 of the funds should be used in that year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 3, 2016
md/jrb Revised - House Third Reader/Updated Information - April 4, 2016
Revised - Enrolled Bill - May 3, 2016
Revised - Other - June 28, 2016

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510