

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1721
Ways and Means

(Delegate Walker)

Finance

Horse Racing - Maryland International and Preakness Stakes Incentives -
Modifications

This bill requires the Comptroller to annually distribute *up to* \$500,000 (instead of requiring \$500,000 to be distributed) to a Maryland International thoroughbred purse from money distributed to the horse racing special fund from State lottery revenues. The Maryland International thoroughbred race is a graded, instead of a Grade 1, stakes race. The bill repeals the termination date of Chapter 727 of 2016, thus allowing the Maryland International thoroughbred race to continue after fiscal 2019, although the \$1.0 million annual distribution of State lottery revenues to the horse racing special fund terminates on June 30, 2019, as provided under current law. Specified distributions from the horse racing special fund continue after fiscal 2019 but only to the extent that those distributions are from State lottery revenues (which cease on June 30, 2019). Beginning July 1, 2019, any amounts paid by the Comptroller to a purse for the Maryland International thoroughbred race, for specified grants, or for a specified bonus award program from the horse racing special fund must remain available for those purposes and may not be used for any other purpose. **Except for specified provisions, the bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: Special fund expenditures for a Maryland International thoroughbred purse may decrease by as much as \$500,000 in FY 2019 but may increase in later years, in total, by a corresponding amount. State lottery revenues that are distributed to the horse racing special fund for specified disbursements must remain available for those disbursements beginning in FY 2020.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 727 of 2016 established the Maryland International thoroughbred race to be conducted by a licensee at Laurel Park, subject to the approval of the Maryland Racing Commission (MRC). 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.

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.

Additionally, under Chapter 727, from the State Lottery Fund, the Comptroller must annually distribute \$1.0 million to the horse racing special fund through fiscal 2019. From the horse racing special fund through fiscal 2019, \$500,000 is annually distributed to a Maryland International thoroughbred purse, \$350,000 is annually 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 annually distributed to the Maryland Humanities Council for Maryland History Day and other programming.

Background: The American Graded Stakes Committee of the Thoroughbred Owners and Breeders Association meets annually to evaluate and affirm the relative quality of races, and issues its collective opinion in the form of ranked Grades: Grade I; Grade II; Grade III; and Listed, with Grade I being the highest. Horses winning these graded races may reliably be considered as superior racing stock and the breeding stock producing them as superior breeding stock. A race is not considered for grading unless it is scheduled to have a total purse value (excluding State-bred supplements) of at least \$75,000 for Listed and eligible, ungraded; \$100,000 for Grade III; \$200,000 for Grade II; and \$300,000 for Grade I.

State Expenditures: Special fund expenditures for a Maryland International thoroughbred purse may decrease by as much as \$500,000 in fiscal 2019. However, to the extent that less than \$500,000 is distributed for a Maryland International thoroughbred purse, the remainder of the \$500,000 of State lottery revenues that is not distributed stays in the horse racing special fund and may be disbursed for a Maryland International thoroughbred purse in later years. Thus, special fund expenditures may increase in later years, in total, by as much as \$500,000.

State lottery revenues that were distributed to the horse racing special fund for specified disbursements must remain available for those disbursements beginning in fiscal 2020. Those are disbursements to a Maryland International thoroughbred purse; to the Maryland

Office of Sports Marketing in the Maryland Stadium Authority for incentive grants for youth and amateur sporting events; to the Maryland Humanities Council for Maryland History Day and other programming; and to MRC for a bonus award program for Maryland-bred or Maryland-sired horses running in the Preakness Stakes. Current law requires the remaining funds for the bonus award program to remain in the fund and not revert to the general fund so specifying that funds for the bonus award program may not be used for any other purpose does not change existing practice. For the other disbursements, the Department of Legislative Services (DLS) assumes the funds will be spent but, if there are unspent funds, DLS assumes they would remain in the special fund and not revert to the general fund so this provision of the bill has no fiscal impact.

Laurel Park has not yet held a Maryland International thoroughbred race. Allowing the Maryland International thoroughbred race to continue beyond fiscal 2019 has no fiscal impact because MRC can oversee the race with existing resources.

Additional Information

Prior Introductions: None.

Cross File: SB 1158 (Senator Middleton) - Finance.

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

Fiscal Note History: First Reader - March 12, 2018
mm/jrb Third Reader - March 20, 2018

Analysis by: Heather N. Ruby

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