

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1232
Ways and Means

(Delegate Krimm, *et al.*)

Purse Dedication Account - Maryland Horse Industry Fund - Retired Racehorses

This bill requires 1% of the purse dedication account (PDA) funds to be distributed to the Maryland Horse Industry Fund (MHIF), and the remaining amounts to be allocated 80% to the thoroughbred industry and 20% to the standardbred industry. The Maryland Horse Industry Board must use the PDA funds distributed to MHIF to fund and award grants to be used for the care, retraining, and promotion of retired racehorses, sanctuary thoroughbreds, and support of equine-assisted therapy programs using sanctuary thoroughbreds. At the end of a fiscal year, any unspent or unencumbered balance of MHIF from the PDA funds must revert back to PDA. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: No overall impact on State finances. Special fund revenues and expenditures for MHIF within the Maryland Department of Agriculture (MDA) increase by approximately \$600,000 annually beginning in FY 2019. Special fund revenues and expenditures for the Department of Labor, Licensing, and Regulation (DLLR) decrease by a corresponding amount. MDA can administer the additional funds in MHIF with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

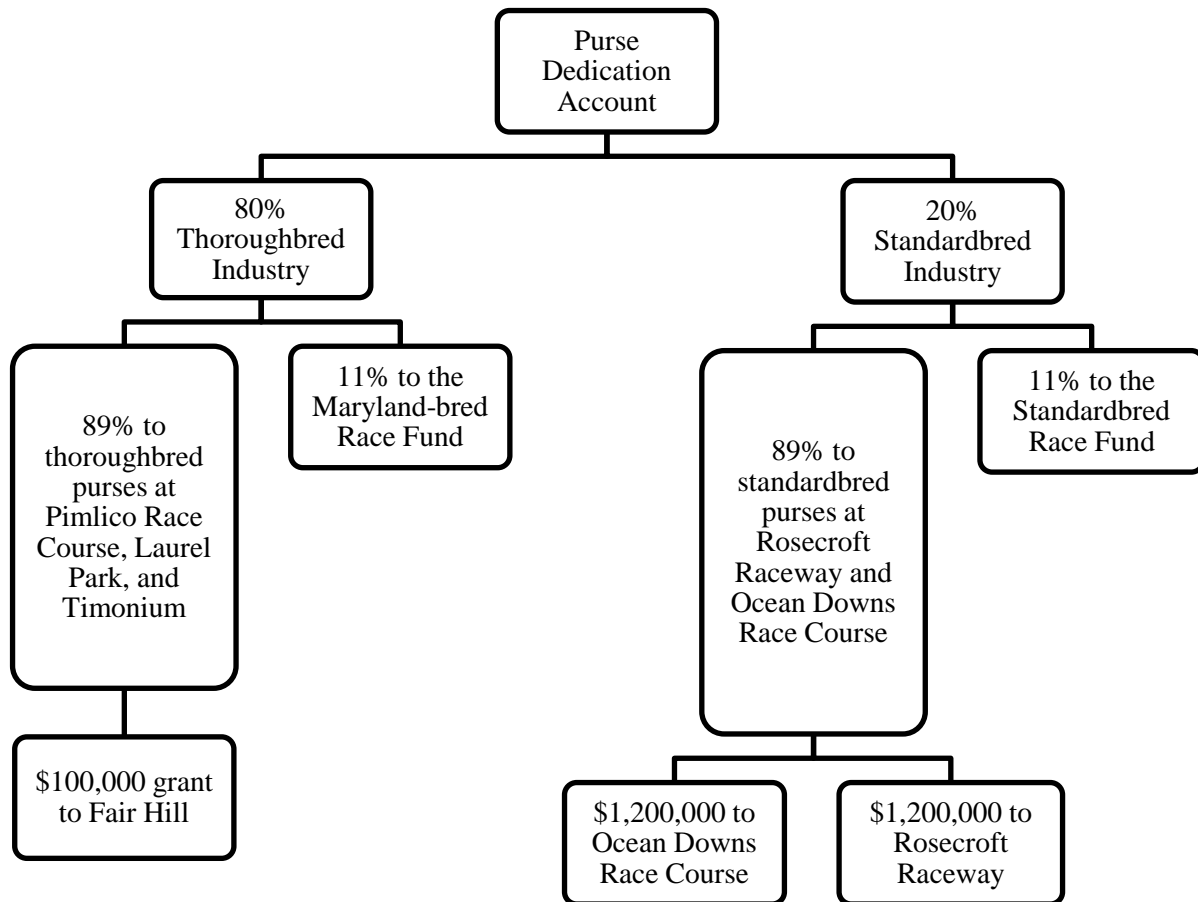
Current Law/Background:

Purse Dedication Account

Generally, 6% of video lottery terminal proceeds, not to exceed \$100 million, is distributed to PDA, which is under the authority of the State Racing Commission.

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 for financial assistance for operating losses, in accordance with generally accepted accounting principles, to support a minimum of 40 live racing days each year for calendar years through 2019, 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 for financial assistance for operating losses, in accordance with generally accepted accounting principles, to support a minimum of 40 live racing days each year for calendar years through 2019, 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.

Maryland Horse Industry Board

The Maryland Horse Industry Board is responsible for licensing and inspecting horse stables, advising MDA regarding matters affecting the horse industry in the State, and undertaking various efforts in support of the horse industry. The operations of the board are supported by MHIF, which receives revenues from licensing and inspection fees collected by the board and an assessment on commercial equine feed sold in the State. The revenues generated from the commercial equine feed assessment may only be used for education, research, and promotional materials and activities intended to benefit the Maryland equine industry. Money in the fund must generally be used to fulfill the statutory duties of the board.

State Fiscal Effect: The bill has no overall impact on State finances. Revenues and expenditures for MHIF, within MDA, increase by approximately \$600,000 annually beginning in fiscal 2019. Revenues and expenditures for PDA, within DLLR, decrease by a corresponding amount. Thus, PDA distributions to the thoroughbred industry decrease by approximately \$480,000 and distributions to the standardbred industry decrease by approximately \$120,000 in fiscal 2019. **Exhibit 2** shows the change in the estimated distribution of PDA revenues for fiscal 2019 through 2023.

Exhibit 2
Fiscal Effect of the Bill
Fiscal 2019-2023

	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
MHIF	\$599,458	\$608,450	\$617,577	\$626,840	\$636,243
Thoroughbred Industry	(479,567)	(486,760)	(494,061)	(501,472)	(508,994)
Standardbred Industry	(119,892)	(121,690)	(123,515)	(125,368)	(127,249)

MHIF: Maryland Horse Industry Fund

Note: Numbers reflected may not show the full offsetting impact due to rounding.

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2018
md/jrb

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