

Department of Legislative Services

Maryland General Assembly

2020 Session

FISCAL AND POLICY NOTE**Third Reader - Revised**

House Bill 1056

(The Speaker)

Ways and Means and Appropriations

Budget and Taxation

Racing and Community Development Act of 2020

This bill provides for (1) the redevelopment of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County and (2) the conveyance of the Bowie Race Course Training Center to the City of Bowie. **The bill generally takes effect June 1, 2020. The tax provisions of the bill have various effective dates.**

Fiscal Summary

State Effect: Bonds totaling \$330.8 million are expected to be issued by the Maryland Stadium Authority (MSA) by FY 2022. State Lottery Fund expenditures to the Racing and Community Development Financing Fund (Financing Fund) increase by \$17.0 million annually beginning in FY 2022. State Lottery Fund revenues increase by at least a commensurate amount in FY 2022 through 2028 as a result of repayment of funds from other sources. Debt service payments from the Financing Fund increase by approximately \$17.0 million annually, beginning in FY 2022 and extending through FY 2051. General fund revenues decrease from income tax subtraction modifications and sales and use tax exemptions beginning in FY 2021. Special fund revenues decrease from property tax and transfer tax exemptions beginning in FY 2021. Special fund expenditures for MSA may increase by approximately \$367,500 in FY 2021 and continue until the projects are completed.

Local Effect: Baltimore City local impact grants from video lottery terminal (VLT) proceeds decrease by \$3.5 million annually beginning in FY 2022. Anne Arundel County revenues increase upon conveyance of Laurel Park. Anne Arundel County and Baltimore City recordation and transfer tax revenues decrease upon conveyance of Laurel Park and Pimlico Race Course. Baltimore City expenditures may increase for the management of Pimlico Race Course. City of Bowie expenditures increase for site remediation and maintenance related to the Bowie Race Course Training Center property.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill provides for the redevelopment of Pimlico Race Course in Baltimore City and Laurel Park in Anne Arundel County, and for the conveyance of the Bowie Race Course Training Center. The bill also provides for bond issuances, funding mechanisms and fund transfers, the ownership and management of racing facilities, and tax incentives, as discussed below.

Maryland Stadium Authority, Construction Projects, and Bonding Authority

- MSA is authorized, subject to the approval of the Board of Public Works (BPW), to issue up to \$375.0 million in bonds for financing planning, design, and construction, and related expenses for construction management, professional fees, and contingencies in connection with racing facilities.
- MSA must enter into agreements with project entities or local entities for planning, design, and construction of the racing and community development projects at a racing facility site.
- MSA must, at least 45 days before seeking approval of BPW for each bond issue or other borrowing, provide to the fiscal committees of the General Assembly specified financing plans.
- The financing plan or plans must provide for at least \$180.0 million in anticipated project costs for the Pimlico racing facility and \$155.0 million in anticipated project costs for the Laurel Park racing facility. Debt issued for the redevelopment projects is a limited obligation of MSA and is not an obligation or debt of the State.
- MSA may enter into agreements with project entities for the construction of the projects during the periods of planning, design, and construction of the facilities. Before the issuance of any bonds to finance improvements to a racing facility, MSA may pay for any costs for its administration, overhead, and operations or costs of engineering, architectural, and other design professionals from the Racetrack and Community Development Facilities Fund (Facilities Fund).

Ownership and Management of Racing Facility Sites

The bill specifies the requirements for and the contents of long-term agreements for management and operations at the Pimlico and Laurel Park racing facility sites.

With regard to the Pimlico racing facility:

- the Pimlico site will be conveyed to Baltimore City, the Baltimore Development Corporation (BDC), or a designated project entity established in the long-term agreement;

- Baltimore City or BDC (1) will manage and operate the Pimlico Clubhouse and Events Facility, grounds, and any facility not designated for the Maryland Jockey Club (MJC) Entities' year-round use and (2) is obligated to maintain the facility site as a first-class facility and to cooperate with respect to the provision of adequate parking and efficient transportation plans around the site;
- MJC Entities will maintain the track surfaces and have priority of use over the Pimlico Clubhouse and Events Facility and grounds for purposes related to racing, wagering, and other agreed-on uses and rights to access and egress from the site during periods identified in the agreement; and
- the agreement must ensure the continuity of the Preakness Stakes at the site.

With regard to the Laurel Park racing facility:

- an interest in the site, in whole or in part, will be granted to Anne Arundel County or an entity or entities designated by the county at a time and on conditions established in the agreement;
- MJC Entities is required to pay to Anne Arundel County, or an entity designated by the county, an amount at least equal to the prorated amount of real property taxes paid in fiscal 2020 for the site;
- MJC Entities (1) will manage and operate the racing facility site and conduct year-round thoroughbred training and racing, satellite simulcast wagering, advanced deposit wagering, and other lawful activities and (2) is obligated to maintain the facility site as a first-class facility and in good condition and repair; and
- the agreement must provide for the running of the Maryland Million annually at Laurel Park except during periods of construction, weather, acts of God, or other circumstances beyond the control of the racing licensee.

If thoroughbred racing is no longer a lawful activity, or is otherwise rendered not commercially viable as a result of a change in law or regulation, the parties to the long-term agreements must notify BPW at least 180 days before the expiration or termination of the long-term agreements. The notice must contain a wind down plan. Each long-term agreement must contain dispute resolution provisions, including expedited review, in the event that there is a dispute among the parties regarding the existence of specified conditions or the contents of the wind down plans.

Funding and Fund Transfers

- The Financing Fund is established as a revolving fund for implementing provisions of law concerning racing and community development projects and for the payment of debt service expenses incurred by MSA, or otherwise approved by MSA,

concerning the projects. The fund primarily consists of proceeds from bond issuance and money transferred from the State Lottery Fund.

- The Facilities Fund is established as a revolving fund for implementing provisions of law concerning racing and community development projects and to pay specified expenses incurred by MSA. The fund primarily consists of certain one-time fund transfers and the unencumbered fund balances (as of June 30, 2020) allocated to thoroughbred tracks and Rosecroft Raceway under the Racetrack Facility Renewal Account (RFRA).
- Beginning in fiscal 2022, the bill requires the transfer of \$17.0 million from the State Lottery Fund to the Financing Fund for each fiscal year until the bonds issued for a racing facility have matured. Monies from the Financing Fund may be transferred to the Facilities Fund if not needed for specified debt service payments; likewise, monies from the Facilities Fund may be transferred to the Financing Fund if they are needed for specified debt service payments.
- The bill requires that \$5.0 million from the Purse Dedication Account (PDA) of the funds dedicated to thoroughbred purses be transferred each fiscal year. In fiscal 2021 only, the transfer is to the Facilities Fund. Beginning in fiscal 2022, the transfer is to the State Lottery Fund – until bonds, debt, or other financial instruments issued or made available reach final maturity.
- The bill requires the transfer of RFRA funds allocated to thoroughbred racing (80% of total RFRA funds) each fiscal year. In fiscal 2021 only, the transfer is to the Facilities Fund; beginning in fiscal 2022, the transfer is to the State Lottery Fund. In addition, the Maryland Racing Commission (MRC) must establish a formula for the allocation of funds to Rosecroft Raceway and Ocean Downs Race Course (20% of total RFRA funds).
- Beginning in fiscal 2021, the bill requires that \$200,000 be transferred annually from the amount allocated for Rosecroft Raceway from RFRA to Employ Prince George's Inc. for workforce development and small, minority, and women-owned business development.
- For fiscal 2022 through 2032, \$3.5 million of funds otherwise directed to the Pimlico Community Development Authority (PCDA) from VLT proceeds must be transferred to the State Lottery Fund. Beginning in fiscal 2033, Baltimore City must transfer \$3.5 million of local impact grant funds from VLT proceeds to the State Lottery Fund until the bonds, debt, or other financial instruments issued or made available reach final maturity.
- For fiscal 2021 through 2032, the greater of \$2.4 million or 24% of the total amount of funds directed to PCDA from VLT proceeds must be provided to Park Heights Renaissance, Inc.
- Any unencumbered fund balance as of June 30, 2020, including accrued interest, that is allocated to thoroughbred tracks and Rosecroft Raceway from RFRA must be transferred to the Facilities Fund (as noted above). MRC must notify the

Comptroller by June 15, 2020, of the amount of anticipated requests for reimbursement from RFRA, and funds not disbursed for eligible requests from mile thoroughbred licensees by December 31, 2020, must also be transferred to the Facilities Fund.

- The bill requires between \$1.0 million and \$1.5 million from the Facilities Fund to be transferred to the City of Bowie for remediation costs of the Bowie Race Course Training Center, provided a specified agreement between the City of Bowie and Bowie State University has been executed.
- The bill specifies that \$2.0 million of the money transferred to the Facilities Fund may be used to reimburse racing licensee costs attributable to maintaining ongoing year-round racing operations, ensuring the continued running of the Preakness Stakes at Pimlico during construction, and other expenses relating to the Bowie Race Course Training Center before conveyance of that property.
- Otherwise, MSA may only use funds in the Facilities Fund after providing the House Ways and Means Committee, the House Appropriations Committee, and the Senate Budget and Taxation Committee at least 90 days to review a specified feasibility study.

Tax Incentives

- A subtraction modification is provided for gains recognized as a result of the direct or indirect transfer or conveyance of the Laurel Park or Pimlico sites and any portion of the Bowie Race Course Training Center and the amount of income recognized as a result of any expenditure of funds, directly or indirectly by the State, Baltimore City, or Anne Arundel County (with respect to the Laurel Park or Pimlico sites).
- A sales and use tax exemption is provided for specified construction materials purchased for use in the construction or redevelopment of the Laurel Park and Pimlico sites. Purchases must be made by January 1, 2026, to be eligible for the exemption.
- A property tax exemption is provided for the interests of a person in the real property of or an improvement at the Laurel Park or Pimlico racing facility sites for the duration of specified long-term agreements.
- A recordation tax exemption is provided for instruments of writing that transfer or grant a security interest in property that is within the Laurel Park or Pimlico racing facility sites or Pimlico site if the transfer or grant is by any combination of project entities, MJC Entities, Baltimore City, an entity designated by Baltimore City, Anne Arundel County, or an entity designated by the county or the Bowie Race Course Training Center property when transferred to a government entity.
- A State and local transfer tax exemption is provided for instruments of writing to the same extent that the transfers are not subject to the recordation tax.

Health, Safety, and Wellness of Horses and Track Workers

- MRC is required to consider the health, safety, and welfare of horses engaged in racing and training at tracks and training facilities in the State.
- An Equine Health, Safety, and Welfare Advisory Committee is established within MRC.
- MRC's annual report to the Secretary of Labor and the Legislative Policy Committee (LPC) must contain a summary of the activities of the advisory committee and any recommendations by MRC for necessary changes to State law.
- MSA is prohibited from expending funds, other than for specified purposes, for construction or reconstruction of racing surfaces at Pimlico or Laurel Park until MRC, in consultation with certain parties, consults with national experts in thoroughbred racetrack surfaces and equine safety and the commission provides a report to LPC.
- MSA must report on the feasibility of creating an Equine Health, Safety, and Research Center at Laurel Park.
- Any housing facilities for track workers located at Pimlico Race Course, Laurel Park, or the Bowie Race Course Training Center and used during the transition or construction periods of the development of the projects must meet applicable health and housing requirements of the applicable local jurisdiction.

Live Racing Days

- MRC is required to award at least 180 live racing days combined between Laurel and Pimlico except under certain circumstances. Current law requires MRC to award at least 40 live racing days to be run at Pimlico except under certain circumstances.
- A requirement for a racing licensee to conduct 220 annual live racing days to be held between Laurel Park and Pimlico is repealed; a requirement that 90 live racing days be held at Rosecroft Raceway is reduced to 60 days.

Transfer of the Bowie Race Course Training Center Property

- By December 31, 2023, the owner of the Bowie Race Course Training Center must convey the training center property to the City of Bowie "as is" – with all defects that may exist, whether known or unknown, and without any express or implied warranty, guarantee by, or recourse against the conveyor of the property.
- The conveyor of the Bowie Race Course Training Center property must be held harmless against any and all claims and risks, now or in the future, arising directly or indirectly from, or in any way related to, the condition of the property or conveyance, with all those claims and risks assumed by the City of Bowie.

- The portion of the Bowie Race Course Training Center property transferred to the City of Bowie that is within 100 feet of the top of the Patuxent River bank must be used for passive recreational activities, including hiking, wildlife viewing, picnicking, and walking.
- The remaining portion of the Bowie Race Course Training Center property transferred to the City of Bowie may be used only for active recreational activities – including baseball, football, soccer, and cricket – and have only one structure that is up to 50,000 square feet constructed on the property.
- By January 1, 2021, the City of Bowie must enter into a joint use agreement, including an easement, with Bowie State University for the future use of the property. The City of Bowie and Bowie State University must report to the General Assembly on the final terms of the joint use agreement.
- Until the required conveyance, the owner of the Bowie Race Course Training Center must operate the center as a thoroughbred training facility to provide more stall space for a race meeting that a licensee holds, as under current law.

Memorandum of Understanding

- BDC, MJC, and LifeBridge Health must enter into a memorandum of understanding (MOU) that contains specified terms and prohibits MSA from beginning construction on the Pimlico site until the MOU is entered into.

Current Law/Background:

Horse Racing in Maryland

MRC has regulated all matters related to horse racing and pari-mutuel wagering in the State since 1920. Generally, MRC (1) approves racing dates; (2) approves specific types of wagering and collects wagering taxes; (3) regulates the size of the purse and stake and the price of admission; (4) oversees drug testing laboratories to protect the integrity of horse racing; and (5) licenses each individual, association, or corporation involved with horse racing.

Thoroughbred racing is held at mile tracks (Laurel Park and Pimlico) and at the Timonium Race Course during the State Fair. In 2019, there were 168 live racing days at Laurel Park, 12 at Pimlico, and 7 at Timonium. Fair Hill is a steeplechase facility in Cecil County that is permitted up to 8 racing dates a year; however, only 1 day per year has been held there since 2006.

Maryland has two standardbred (harness) racetracks: Rosecroft Raceway in Prince George's County, which had 60 live racing dates in 2019, and Ocean Downs in Worcester County, which had 48 live racing dates in 2019.

Financial Assistance to the Racing Industry

For a number of years, the State provided temporary financial assistance to the horse racing industry in order to supplement declining pari-mutuel wagering revenues. Since 2010, a percentage of VLT revenues from Maryland's casinos has helped sustain racing.

PDA receives 6% of VLT revenue to enhance horse racing purses and funds for the horse breeding industry. PDA may not receive more than \$100.0 million annually. In fiscal 2019, \$65.9 million was distributed to PDA.

Except for the video lottery facility in Allegany County, 1% of VLT proceeds from each video lottery facility is distributed to RFRA, which is under the authority of MRC, for the first 16 years of operations at each video lottery facility. Grants from RFRA are provided to racing licensees for racetrack facility capital construction and improvements. Revenues to RFRA may not exceed \$20.0 million annually. MRC must allocate 80% of RFRA funds to the Pimlico Race Course, Laurel Park, and the race course in Timonium and 20% to Rosecroft Raceway and Ocean Downs Race Course.

Generally, in order to obtain a grant, a holder of a license (to hold a race meeting in the State) must submit a capital construction plan to MRC and provide matching funds. After a grant has been provided, MRC must, in consultation with the Department of General Services, monitor the implementation of the approved capital construction plan and make provisions for the recapture of funds under specified circumstances. In fiscal 2019, \$10.7 million was distributed to RFRA.

Local Impact Grants from Video Lottery Terminal Proceeds

From the proceeds generated by VLTs at video lottery facilities in the State, generally 5.5% is distributed to local governments in which a video lottery facility is operating. Of this amount, 18% is distributed for 20 years (starting in fiscal 2012 and ending in 2032) to Baltimore City through PCDA and to Prince George's County for the community surrounding Rosecroft (\$1.0 million annually). Beginning with fiscal 2015, \$500,000 of that 18% is distributed to communities within three miles of Laurel Race Course, resulting in \$89,300 for Howard County, an additional \$357,100 for Anne Arundel County, and \$53,600 for the City of Laurel. In addition, 5% of table game revenues are distributed to local jurisdictions where a video lottery facility is located. Gaming impact grants are estimated to total \$95.0 million in fiscal 2021, including \$27.8 million to Anne Arundel County and \$27.4 million to Baltimore City.

Initial Plans for Redevelopment of the Racing Facilities

Initial plans indicate that the Laurel Park racing facility project will be undertaken first, followed by the Pimlico racing facility project. The goal is to have the two projects completed over a five-year period. The Preakness Stakes will continue to be held at Pimlico each year.

State Fiscal Effect: The bill authorizes MSA to issue up to \$375.0 million in bonds to be used for the redevelopment of the Pimlico and Laurel Park racing facility sites. MSA advises that \$330.8 million in bonds will be issued to finance the two redevelopment projects. Debt service payments will be over 30 years and are projected to begin June 1, 2022 (fiscal 2022). The interest rate is estimated to be 3.09%, and annual debt service payments will be approximately \$17.0 million. Total payments (principal and interest) will be approximately \$509.9 million over the 30-year period.

Capitalization of Funds and Related Spending

Appendix 1 shows how the Financing Fund and Facilities Fund are capitalized as well as how the State Lottery Fund is repaid from fiscal 2021 through 2035.

Financing Fund: When the bonds are issued, the monies will be deposited in the Financing Fund and used to finance the racing facilities projects. Beginning in fiscal 2022, the bill directs \$17.0 million from the State Lottery Fund to the Financing Fund for each fiscal year until the bonds issued to finance racing facilities are no longer outstanding and unpaid, to pay for the debt service on them. This amount of funding is sufficient to do so.

Facilities Fund: The Facilities Fund is primarily capitalized by a series of one-time transfers. Specifically, the bill requires (1) a transfer of \$5.0 million from PDA from thoroughbred purses in fiscal 2021; (2) transfer of the unencumbered balance (as of June 30, 2020) of RFRA funds available to thoroughbred racing licensees and Rosecroft Raceway, estimated at \$23.6 million and \$6.6 million, respectively; and (3) RFRA funds for fiscal 2021 otherwise allocated to thoroughbred racing licensees, estimated at approximately \$9.0 million. Thus, more than \$44.1 million is expected to be available in the Facilities Fund to cover initial project expenditures for design, planning, permitting, *etc.*, pursuant to the bill. In addition, up to \$2.0 million in the Facilities Fund may be used to reimburse racing licensees for costs attributable to maintaining year-round racing operations, ensuring the continued running of the Preakness Stakes at the Pimlico site during construction, and expenses related to the Bowie Race Course Training Center before conveyance of that property. The bill also requires that between \$1.0 million and \$1.5 million from the Facilities Fund be transferred to the City of Bowie for remediation costs of the Bowie Race Course Training Center property.

State Lottery Fund: The bill generally provides for the annual repayment of funds, beginning in fiscal 2022, to the State Lottery Fund as follows: (1) RFRA funds available to thoroughbred racing licensees; (2) \$5.0 million from PDA from thoroughbred purses; and (3) \$3.5 million from local impact grants provided to Baltimore City from VLT proceeds.

However, as noted above, 1% of VLT revenues is distributed to RFRA for the first 16 years after a video lottery facility begins operating, after which time the 1% distribution will go to the Education Trust Fund. Based on the opening dates of each facility, RFRA revenues will begin decreasing in calendar 2026 (fiscal 2027) as the 16-year distribution requirement ends for the casino in Cecil County. Distributions to RFRA from the Prince George's County casino, the last of the six casinos to open, will end at the end of calendar 2032. Based on current VLT revenue estimates, beginning in fiscal 2029, there will be insufficient funds directed to the State Lottery Fund to fully pay back the \$17.0 million from the fund that is directed to the Financing Fund. Beginning in fiscal 2033, when RFRA funds are no longer available, the State Lottery Fund will only receive \$8.5 million in total annual funding from PDA and Baltimore City local impact grants to partially cover the amount directed to Financing Fund.

Maryland Stadium Authority Expenditures

MSA advises that the bill does not require it to perform the design and construction management of the two facilities but rather provides MJC Entities the option of using MSA as the contract manager. If MSA is the contract manager for design and construction of the two sites, MSA would hire three new employees – one project manager, one assistant project manager, and one executive assistant – to perform duties related to the two redevelopment projects. The estimated expenditures for these positions are \$367,465 in fiscal 2021, increasing to \$371,700 in fiscal 2025. MSA advises that current staff will be responsible for negotiating and monitoring any agreements required by the bill, even if MSA is not serving as project manager.

MSA advises that the fiscal 2021 budget does not include funding to implement the provisions of the bill. It is assumed that MSA's costs for racing facilities projects will be covered by funds in the Facilities Fund.

General Fund Revenues

General fund revenues decrease as a result of the subtraction modification for gains recognized due to the transfer or conveyance of the Laurel Park or Pimlico sites, as well as the Bowie Race Course Training Center, and the amount of income recognized as a result of any expenditure of specified governmental funds. The amount of the decrease cannot be reliably estimated.

General fund revenues also decrease, likely not until fiscal 2022, through fiscal 2026 as a result of the sales and use tax exemption for the purchase of specified construction materials for use in the construction, furnishing, equipping, or redevelopment of the Laurel Park and Pimlico sites. MSA advises that approximately \$9.0 million in revenues are likely foregone during this period, and this amount is assumed to be phased as follows: \$600,000 in fiscal 2022, \$2.1 million in fiscal 2023, \$2.3 million in fiscal 2024, \$2.4 million in fiscal 2025, and \$1.7 million in fiscal 2026.

Special Fund Revenues

Annuity Bond Fund revenues may decrease as a result of the property tax exemption for the interests of a person in an improvement made at the Laurel Park or Pimlico racing facility sites for the duration of specified long-term agreements.

State transfer tax revenues may decrease resulting from the exemption for instruments of writing that transfer or grant a security interest in property that is within the Laurel Park or Pimlico racing facility sites or Pimlico site if the transfer or grant is by any combination of project entities, MJC Entities, Baltimore City, an entity designated by Baltimore City, Anne Arundel County, or an entity designated by the county. The transfer tax will not apply to the transfer of the Bowie Race Course Training Center if the transfer is to a government entity.

Local Fiscal Effect: The bill affects Anne Arundel County, Baltimore City, and City of Bowie revenues and expenditures.

Anne Arundel County

The bill specifies that MJC will transfer an interest in the Laurel Park site, in whole or in part, to Anne Arundel County or an entity or entities designated by the county at a time and on conditions established in the agreement. MJC Entities is required to pay to Anne Arundel County, or an entity designated by the county, an amount at least equal to the prorated amount of real property taxes paid in fiscal 2020 for the site. Anne Arundel County advises that fiscal 2020 property taxes for the site total \$307,700. MJC advises that this amount will be paid to Anne Arundel County for the duration of a long-term agreement and that MJC will continue to pay real property taxes on the portion of the Laurel Park facility that is outside of the racing facility.

Baltimore City

The bill specifies that the Pimlico site will be conveyed to Baltimore City, BDC, or other project entity or entities at a time and on conditions established in the agreement and Baltimore City, BDC, or an entity designated by the city will manage and operate the

Pimlico Clubhouse and Events Facility, grounds, and any facility not designated for MJC Entities' year-round use. The city is obligated to maintain the facility site as a first-class facility and to cooperate with respect to the provision of adequate parking and efficient transportation plans around the site. As a result, Baltimore City expenditures may increase by an indeterminate amount in order to manage and operate the Pimlico site.

Baltimore City local impact grants from VLT proceeds decrease by \$3.5 million annually until the bonds to finance the two projects are paid.

City of Bowie

The bill specifies that, by December 31, 2023, the owner of the Bowie Race Course Training Center must convey a substantial portion of the 160-acre site to the City of Bowie to be used for recreational activities. The city advises that the site requires considerable improvements, at substantial cost, to prepare it for recreational purposes. A portion of the site is the backstretch and stable area, which has structures and facilities that will have to be removed – including underground storage tanks. The city estimates the cost for removal of the underground tanks to likely be at least \$75,000, depending on the contents of the tanks and whether any substances leaked into surrounding soils. In addition, razing and restoring the site may require the removal of asbestos, lead paint, and other environmental contaminants that could be a significant expense. Finally, the city advises that the restored and established site will require annual maintenance costs of \$600,000 annually.

The bill requires that between \$1.0 million and \$1.5 million be transferred from the Facilities Fund to the City of Bowie for remediation expenses for the Bowie Race Course Training Center property; however, a joint use agreement between the City of Bowie and Bowie State University must first be executed (as required by January 1, 2021). Thus, the remediation costs noted above will be covered, at least partially.

Additional Effects Related to Property, Recordation, and Transfer Taxes

Anne Arundel County and Baltimore City property tax revenues may decrease as a result of the property tax exemption for the interests of a person in an improvement made at the Laurel Park or Pimlico racing facility sites for the duration of specified long-term agreements. The amount of the decrease cannot be reliably estimated and depends on the value of the improvements when the projects are completed.

Anne Arundel County and Baltimore City transfer tax revenues may decrease resulting from the exemption for instruments of writing that transfer or grant a security interest in property that is within the Laurel Park or Pimlico racing facility sites or Pimlico site if the transfer or grant is by any combination of project entities, MJC Entities, Baltimore City, an entity designated by Baltimore City, Anne Arundel County, or an entity designated by

the county. The transfer tax will not apply to the transfer of the Bowie Race Course Training Center if the transfer is to a government entity. The amount of the decrease cannot be reliably estimated and depends on the value of the consideration transferred.

Anne Arundel County and Baltimore City recordation tax revenues may decrease resulting from the exemption for instruments of writing that transfer or grant a security interest in property that is within the Laurel Park or Pimlico racing facility sites or Pimlico site if the transfer or grant is by any combination of project entities, MJC Entities, Baltimore City, an entity designated by Baltimore City, Anne Arundel County, or an entity designated by the county. The transfer tax will not apply to the transfer of the Bowie Race Course Training Center if the transfer is to a government entity. The amount of the decrease cannot be reliably estimated and depends on the value of the consideration transferred.

Small Business Effect: Small businesses that are involved in the redevelopment projects will benefit from increased activity as well as decreased costs for materials and equipment resulting from the sales and use tax exemption.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Baltimore City; City of Bowie; Anne Arundel and Prince George's counties; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Department of Labor; Department of Natural Resources; Board of Public Works; State Department of Assessments and Taxation; Maryland State Lottery and Gaming Control Agency; Maryland Stadium Authority; Department of Legislative Services

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Appendix 1
Distribution of Funds for Race Track Redevelopment Projects
Fiscal 2021-2035
(\$ in Thousands)

Bonds Authorized: \$375,000

Financing Plans Must Consist of at Least:

For Pimlico \$180,000

For Laurel Park \$155,000

\$335,000

Actual Bonds that Will Be Issued, per MSA: \$330,825

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>	<u>FY 2032</u>	<u>FY 2033</u>	<u>FY 2034</u>	<u>FY 2035</u>
<u>State Lottery Fund Distributions</u>															
To Financing Fund	\$0	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)	(\$17,000)
From PDA	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
From Baltimore City PCDA Gaming Grants	0	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	-	-
From Baltimore City Gaming Grants	0	0	0	0	0	0	0	0	0	0	0	0	3,500	3,500	3,500
Thoroughbred Allocation from RFRA	0	9,058	9,175	9,713	9,964	9,964	9,507	8,974	5,014	5,078	3,887	3,937	-	-	-
<i>Net Effect of Repayment</i>	<i>0</i>	<i>558</i>	<i>675</i>	<i>1,213</i>	<i>1,464</i>	<i>1,464</i>	<i>1,007</i>	<i>474</i>	<i>(3,486)</i>	<i>(3,422)</i>	<i>(4,613)</i>	<i>(4,563)</i>	<i>(8,500)</i>	<i>(8,500)</i>	<i>(8,500)</i>
<u>Financing Fund Distributions</u>															
Bond Proceeds	0	330,825	0	0	0	0	0	0	0	0	0	0	0	0	0
From SLF	0	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
Debt Service Payment	0	(16,998)	(16,996)	(16,997)	(16,998)	(16,997)	(16,997)	(16,996)	(16,998)	(16,995)	(16,998)	(16,995)	(17,000)	(16,996)	(16,999)
<i>Net for Debt Service</i>	<i>0</i>	<i>2</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>3</i>	<i>3</i>	<i>4</i>	<i>2</i>	<i>5</i>	<i>2</i>	<i>5</i>	<i>0</i>	<i>4</i>	<i>1</i>
<u>Facilities Fund Distributions</u>															
Thoroughbred Balance from RFRA	23,643	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Rosecroft Balance from RFRA	6,572	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Thoroughbred Allocation from RFRA	8,953	0	0	0	0	0	0	0	0	0	0	0	-	-	-
From PDA	5,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reimbursement to Licensees	0	(500)	(500)	(500)	(500)	0	0	0	0	0	0	0	0	0	0
Payment for Remediation Costs to City of Bowie	0	(1,500)	0	0	0	0	0	0	0	0	0	0	0	0	0

Appendix 1 (Continued)

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>	<u>FY 2031</u>	<u>FY 2032</u>	<u>FY 2033</u>	<u>FY 2034</u>	<u>FY 2035</u>
<u>Racetrack Facility Renewal Account Distributions</u>															
Thoroughbred Balance to Facilities Fund	(23,643)	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Rosecroft Balance to Facilities Fund	(6,572)	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Thoroughbred Allocation to Facilities Fund	(8,953)	0	0	0	0	0	0	0	0	0	0	0	-	-	-
Thoroughbred Allocation to SLF	0	(9,058)	(9,175)	(9,713)	(9,964)	(9,964)	(9,507)	(8,974)	(5,014)	(5,078)	(3,887)	(3,937)	-	-	-
<u>Purse Dedication Account Distributions</u>															
To SLF	0	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
To Facilities Fund	(5,000)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<u>Local Government Distributions</u>															
Baltimore City PCDA Gaming Grants to SLF	0	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	(3,500)	-	-	-
Baltimore City Gaming Grants to SLF	0	0	0	0	0	0	0	0	0	0	0	0	(3,500)	(3,500)	(3,500)
Bowie Remediation Costs from Facilities Fund	0	1,500	0	0	0	0	0	0	0	0	0	0	0	0	0

Financing Fund: Racing and Community Development Financing Fund
 Facilities Fund: Racing and Community Development Facilities Fund

MSA: Maryland Stadium Authority
 PCDA: Pimlico Community Development Authority

PDA: Purse Dedication Account
 RFRA: Racetrack Facility Renewal Account
 SLF: State Lottery Fund

Notes: Bond proceeds may be available as early as fiscal 2021. Remediation costs for the City of Bowie from the Facilities Fund are assumed to be paid at the highest amount authorized (\$1.5 million) and to be incurred in fiscal 2022 – when the joint use agreement for the Bowie Race Course Training Center property between the City of Bowie and Bowie State University must be executed; those costs may be incurred sooner (or later) or at the minimum of \$1.0 million instead. Likewise, racing licensees are assumed to be reimbursed the maximum amount authorized (\$2.0 million) over a four-year period in installments of \$500,000 each year beginning in fiscal 2022 for specified costs, although the timing and amount of reimbursement could differ. The Racetrack Facility Renewal Account and the Pimlico Community Development Authority cease to exist as a funding source after fiscal 2032 (reflected as dashes above). Beginning in fiscal 2029, when the State Lottery Fund is not fully repaid from other sources, there is an impact on revenues that would otherwise be distributed to the general fund. Funding provided to Anne Arundel County from a private entity is not reflected above. In addition, certain potential costs incurred by the Maryland Stadium Authority are not reflected above. The impacts of tax incentives on general fund and special fund revenues are not reflected above.

Source: Department of Legislative Services