

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 563 (Senator Hester, *et al.*)

Education, Energy, and the Environment and
 Budget and Taxation

Maryland Fair and Agricultural Education Promise Fund - Establishment
(Maryland Fair and Agricultural Education Promise Act)

This bill establishes the Maryland Fair and Agricultural Education Promise Fund to advance agricultural fairs and education in the State. The bill requires that \$1.45 million of proceeds from the State Lottery Fund be distributed to the new special fund beginning in fiscal 2026. The bill repeals requirements that specified amounts from the State horse racing special fund be used to promote State agricultural fairs and education. **The bill takes effect June 1, 2025.**

Fiscal Summary

State Effect: No effect in FY 2025. General fund revenues decrease by \$1.45 million, and special fund revenues and expenditures increase by the same amount annually beginning in FY 2026. **This bill establishes a mandated distribution beginning in FY 2026.**

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
GF Revenue	(\$1.45)	(\$1.45)	(\$1.45)	(\$1.45)	(\$1.45)
SF Revenue	\$1.45	\$1.45	\$1.45	\$1.45	\$1.45
SF Expenditure	\$1.45	\$1.45	\$1.45	\$1.45	\$1.45
Net Effect	(\$1.45)	(\$1.45)	(\$1.45)	(\$1.45)	(\$1.45)

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

Local Effect: To the extent that horse racing special fund revenues remain available for other purposes as a result of the bill, revenues could increase minimally for local jurisdictions that are eligible for impact aid. Expenditures are not directly affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill establishes the Maryland Fair and Agricultural Education Promise Fund as a special, nonlapsing fund, administered by the Comptroller, to advance agricultural fairs and education in the State. The fund consists of (1) \$1.45 million in State Lottery Fund proceeds, beginning in fiscal 2026; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund.

The bill requires the Comptroller to pay annual grants from the fund of (1) \$825,000 to the Maryland Agricultural Fair Board to promote and enhance State and county agricultural fairs and exhibits; (2) \$75,000 to the Maryland Agricultural Education Foundation to promote and enhance statewide agricultural education; and (3) \$550,000 to the Maryland State Fair and Agricultural Society to promote and enhance the State agricultural fair and maintain and develop youth agricultural programs, with substantial funding provided to organizations, including 4-H clubs and the Maryland FFA Association, for the provision of recognition and awards.

The bill also repeals similar provisions of law that mandate the following grants from the horse racing special fund: (1) \$825,000 to the Maryland Agricultural Fair Board to promote State and county agricultural fairs and exhibits; (2) \$75,000 to the Maryland Agricultural Education Foundation to promote and enhance statewide agricultural education; (3) \$500,000 to the Maryland State Fair and Agricultural Society to promote and enhance the Maryland State Fair and maintain and develop youth agricultural programs, with substantial funding provided to organizations, including 4-H clubs and the Maryland FFA Association, for the provision of recognition and awards (if the Maryland State Fair remains at the Timonium Fair Grounds); and (4) \$50,000 to Baltimore County (also if the Maryland State Fair remains at the Timonium Fair Grounds).

Current Law:

Horse Racing Special Fund

Revenues from pari-mutuel taxes and license fees, as well as other horse racing revenues, are credited to a special fund. The Comptroller makes the following grant distributions from the horse racing special fund:

- \$825,000 to the Maryland Agricultural Fair Board (for promotion of fairs and exhibits);
- \$500,000 for the Maryland Million and \$350,000 for the Sire Stakes Program;

- for as long as the Maryland State Fair remains at the Timonium Fairgrounds, \$500,000 to the Maryland State Fair and Agricultural Society, Inc. (for promotion and enhancement of the fair);
- \$50,000 to Baltimore County (to replace former revenues);
- \$100,000 to Prince George’s County (to replace former revenues from the admissions and amusement tax);
- \$40,000 to the Great Frederick Fair to support exhibition harness races;
- \$75,000 to the Maryland Agricultural Education Foundation;
- \$20,000 to the Great Pocomoke Fair;
- up to \$500,000 for the Maryland International Thoroughbred Race; and
- local impact aid.

In recent years, revenues from the horse racing special fund have been insufficient to fulfill the expected local impact aid allocation to each jurisdiction and the other mandated uses, mainly due to a reduction in racing days. In any fiscal year that revenues to the special fund are not sufficient to fully fund local impact aid, the Comptroller must proportionately reduce the amount of grants required to be paid.

State Lottery Fund

State Lottery Fund revenues are first used to pay the expenses of administering and operating the lottery and then, with specified exceptions, the holder of each winning ticket or share. Additional revenues are allocated as specified in § 9-120 of the State Government Article so that, after 13 other higher priority and required distributions, any remaining State Lottery Fund revenues are distributed to the general fund.

State Fiscal Effect: State Lottery Fund revenues that would otherwise be distributed to the general fund are instead distributed to the new special fund. Accordingly, general fund revenues decrease by \$1.45 million annually beginning in fiscal 2026, and special fund revenues to the new fund increase by the same amount beginning in fiscal 2026. Special fund expenditures from the new fund to provide grants to the Maryland Agricultural Fair Board, the Maryland Agricultural Education Foundation, and the Maryland State Fair and Agricultural Society increase by \$1.45 million annually beginning in fiscal 2026. The funding currently provided to these organizations through the horse racing special fund is instead expended for other purposes.

Exhibit 1 shows the funding to the affected organizations in fiscal 2024. As shown in Exhibit 1, assuming a similar level of funding would otherwise be available to them in fiscal 2026, these organizations receive an additional \$514,131 due to the assurance of full funding through the State Lottery Fund distribution. Also, because the bill repeals similar grants to these organizations from the horse racing special fund, the horse racing special

fund has an estimated \$514,131 available to use for other purposes, all of which continues to be expended.

Exhibit 1
Grants for State Agricultural Organizations

<u>Grant Recipient</u>	FY 2024		<u>Difference</u>
	<u>Actual</u>	<u>The Bill</u>	
Maryland Agricultural Fair Board	\$488,664	\$825,000	\$336,336
Maryland Agricultural Education Foundation	58,331	75,000	16,669
Maryland State Fair and Agricultural Society	388,874	550,000	161,126
Total	\$935,869	\$1,450,000	\$514,131

Source: Department of Legislative Services

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 650 (Delegate Pippy, *et al.*) - Environment and Transportation.

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

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